Doing Business In Colombia: A Country Commercial Guide for U.S. Companies

Chapter 1: Doing Business In COLOMBIA

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Colombia ranks solidly with the group of progressive, industrializing countries worldwide that have well-diversified agriculture, resources, and productive capacities. It currently is the fourth largest U.S. market in the region, after Mexico, Brazil and Venezuela. Since the election of President Uribe in May 2002, Colombia has become one of the most optimistic, stable and recovering economies in the region. Good government policies, steady growth, low inflation and plenty of opportunities make it more than worthwhile for investors to take a serious look at Colombia.

- Economic growth for 2004 fell to 3.7 percent from a target of 4 percent in 2004. Economists blamed this contraction on transitory events, and highlighted a 22-day trucker strike as causing supply shocks to the market. Colombia's Ministry of Finance projects an economic growth rate of 4 percent for 2005, based on the projected performance of the construction, petroleum and mining sectors, as well as a continued increase in exports. GDP per capita has increased to over USD 2,000, aided by the appreciation of the Colombian peso in the last year.
- The peso rose 15 percent against the U.S. dollar in 2004 due to an increase in investor confidence in Colombia, higher Colombian exports and an increase in remittances from Colombian workers abroad. For 2004, the exchange rate closed at COP 2,352 per $1.
- Foreign direct investment is expected to reach USD 2.2 billion for 2004, an annual increase of 43 percent, and analysts expect FDI to at least maintain this level through 2006. Major contributors to the increase in 2004 are the mining and oil and gas sectors.
- The United States, the Virgin Islands, and Spain rank as Colombia's top investors. Over the last few years, they represented 43 percent of total investments in Colombia
- Consumer price inflation fell from 6.48 percent in 2003 to 5.5 percent in 2004, the lowest in 40 years.
- Urban unemployment has decreased from around 17 percent in January, 2004 to 12 percent at the end of 2004. Union representation in the Colombian workforce is less than 8 percent.
- Although security concerns continue to stem from the 40-year-old guerrilla war, the Uribe Administration's policies have dramatically reduced terrorist attacks, kidnappings and crime.
- In May 2004, the United States began free trade negotiations with Colombia, Peru and Ecuador (Bolivia is participating only as an observer). After seven

rounds, negotiations continue to move forward with the hope of signing a free trade agreement in mid-2005.

- The United States continues to be Colombia's major trading partner, receiving 44% of all Colombian exports. Exports to the U.S. have increased over USD 2.0 billion since the inception of ATPDEA benefits. Colombia is currently the 31st largest trading partner for U.S. goods. The EU, Japan, and the Andean Pact countries also are important trading partners.

Market Challenges

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- Capital Controls: in December 2004, the Colombian Council on Economic and Social Policy (CONPES) approved a modification to the foreign investment regime to include an obligation for foreign portfolio investments to maintain investments in Colombian for at least one year in order to avoid speculative capital flows. The GOC will fine companies who seek to expatriate their investments in less than 12 months.
- The provision of legal services is limited to law firms licensed under Colombian law. Foreign law firms can operate in Colombia only by forming a joint venture with a Colombian law firm and operating under the licenses of the Colombian lawyers in the firm.
- Economic need tests are required when foreign providers of professional services operate temporarily; and residency requirements restrict trans-border trade of certain professional services, such as accounting, bookkeeping, auditing, architecture, engineering, urban planning, and medical and dental services.
- A commercial presence is required to provide information processing services.
- Telecommunications: significant barriers to entry include high license fees ($150 million for a long distance license fee), cross subsidies, commercial presence in Colombia and economic needs tests.
- For firms with more than ten employees, no more than ten percent of the general workforce and 20 percent of specialists may be foreign nationals.
- International banking institutions are required to maintain commercial presence in Colombia through subsidiary offices.
- Colombia has been on the Special 301 "Watch List" every year since 1991.
- Customs duties have been consolidated into four tariff levels: zero to five percent on capital goods, industrial goods and raw materials not produced in Colombia, ten percent on manufactured goods with some exemptions, and fifteen to twenty percent on consumer and "sensitive" goods. A group of agricultural products is protected by a price band mechanism that offers variable duties as high as 100 percent.

Market Opportunities

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- Review U.S. Commercial Service quarterly reports of major projects in Colombia.
- Colombia's upcoming infrastructure projects are extensive and will require a local agent or legal representative for all government contracts. Areas of interest are project financing, public works subcontracting, logistics, equipment procurement, construction of public roads, ports, and airports, rehabilitation of river navigation, water treatment, water supply, electric power generation, oil and gas exploration, air navigational aids, railways, machinery leasing, transportation equipment and parts, security and defense items and services, and mass transit systems.

- U.S. export opportunities include: telecommunications equipment and services, industrial chemicals, air cargo services, financial services, automotive parts and accessories, computer hardware and software services, oil and gas machinery and services, petrochemicals, plastics materials and resins, electrical power systems, safety and security technologies and equipment, food and beverage processing and packaging equipment, medical equipment, construction and mining equipment and pollution control equipment.

Market Entry Strategy Return to top

- Secure an agent, representative, or distributor in Colombia, which requires a contract that meets the provisions of the Colombian Commercial Code
- Focus on formality, personal relationships and trust when negotiating agreements and contracts
- Direct marketing and personal visits supported by such factors as technological advances in internet communications, printing and distribution of materials to prospective customers are already popular in Colombia
- Communicate with the U.S. Commercial Service of the U.S. Embassy in Bogotá for specific concerns.
- Keep good after-sales service arrangements, not only in the original buying decision, but also in maintaining the sales relationship. Warranties on imports are important factors that support after sales service in Colombia
- Products and/or service quality, financing, and price supported by extensive advertising campaigns play an important role in Colombians' buying decision

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Chapter 2: Political and Economic Environment

For background information on the political and economic environment of the country, please click on the link below to the U.S. Department of State Background Notes.

http://www.state.gov/r/pa/ei/bgn

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Chapter 3: Selling U.S. Products and Services

Using an Agent or Distributor

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Foreign firms interested in exporting to Colombia's private sector are not required by law to secure local representation, however, Colombians prefer to deal with those companies with local representation to secure after-sales servicing. For sales to the government, however, whether direct or through international tenders, Colombian law requires that foreign bidders have legal representation in Colombia.

Securing an agent, representative, or distributor in Colombia requires a contract that meets the provisions of the Colombian Commercial Code. This contract must be registered with the chamber of commerce where the agent/representative is located. Agency or representation agreements do not require government approval.

An agent or representative differs from an appointed distributor. The former is legally associated with the principal and may enter into legal agreements on the principal's behalf, while the latter may act totally independently from the principal. Distributors may purchase items from a foreign supplier, wholesaler or jobber, and then sell them locally at their own discretion and risk.

When negotiating agreements and contracts, one should focus on formality, personal relationships and trust. Colombians want to know their supplier or partner personally before deciding whether he or she is trustworthy. U.S. companies seeking agents, distributors or representatives in Colombia should consider the broad range of CS-offered services developed to help U.S. firms enter new markets.

Establishing an Office

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The most common forms of business in Colombia are corporations, limited liability partnerships, and branches or subsidiaries of foreign corporations. The process of establishing a business in Colombia has been simplified considerably by a new program of the Bogota Chamber of Commerce, with the sponsorship of the Inter American Development Bank/IDB and several Colombian public and private entities. CS Bogota advises U.S. firms to obtain legal advice from a Colombian law firm or accounting firm. A list of attorneys and accountants is available from the U.S. Commercial Service of the Embassy.

Branch of a Foreign Corporation: A branch operates under the rules applicable to Colombian corporations. Its liability is limited to assigned capital. It must be registered with a Notary Public in its place of domicile. The following documents also must be registered with the Notary Public: copies of its incorporation document, its bylaws, the resolution or act agreeing to the establishment of the branch, and documents evidencing its existence and legal representation.

All companies (including branches of foreign companies domiciled in Colombia) must register themselves and their accounting books, minutes, and other required documents by law in the Commercial Register of the chamber of commerce in the cities where they are located.

A few steps should be followed in establishing a business in Colombia:

- Appointing a legal representative in Colombia who will be responsible for preparing documents and carrying all necessary steps with a Notary Public and Chambers of Commerce. There should be a corresponding Act for this appointment and duly registered with a Notary Public.

- By-laws (Escritura Publica) should be prepared and registered with the Notary Public, stating the purpose of the firm, capital, legal rep, etc. This step would take two to three days and about 0.0027 percent fee (fees in general will depend on the amount of capital being registered) plus a 16% Value-Added tax will be charged.

- Registration and legalization with a Chamber of Commerce may take about four days including the time for obtaining an Income Tax Identification Number (NIT), and subject to a 0.7 % fee on the capital registered plus other minor charges.

- There will be forms and other paperwork with minimum charges and processing time, opening of bank accounts, transfer of foreign currency, etc. In total, it should not take more than three weeks to incorporate in Colombia.

Franchising Return to top

Franchising is gaining importance in Colombia as a business development and marketing system. The Colombian market, which encourages foreign investment and international trade, offers good business opportunities for U.S. companies in the franchising sector.

Relationships between franchisers and franchisees are regulated by the terms of freely negotiated contracts, provided that they are consistent with the Colombian Commercial

Code and the applicable legal framework. Emphasis is given to the clear description of the parties' mutual rights and responsibilities. Competent legal advice is essential during all steps of a franchising negotiation.

Currently, there are approximately 107 franchises in Colombia. The United States is the foreign franchise leader in Colombia with an estimated thirty percent market share. Colombia is first with sixty-two percent, and other countries total about eight percent. Colombian and foreign franchising companies generate approximately 11,000 direct and 45,000 indirect jobs through approximately 1,200 outlets. COINVERTIR, a Colombian government institution that promotes investment in Colombia is a good contact for finding prospective partners and franchisees.

Direct Marketing Return to top

Direct marketing is rapidly gaining popularity in Colombia. Its growth has been fueled by such factors as technological advances in printing and distribution, an increased use of credit cards and changing lifestyles. Also, more women are entering the job market and seeking ways to save time in making household purchases. Many stores and large distributors are producing their own catalogs for phone, mail orders, e-mail or the web with products that can be paid for with cash, check, debit or credit cards.

E-commerce is a potential marketing alternative. CS Bogota suggests that U.S. companies obtain legal advice before entering into e-commerce sales or contractual agreements. Internet users, Internet and catalog sales in Colombia are rapidly growing. Although on-line shopping has not spread as quickly as in other countries, courier services are available for legal credit card purchases in the U.S. to be shipped to addresses in Florida and then on to Colombia. Direct shipping to Colombia is also being done.

The popularity of International direct marketing is growing in Colombia. U.S. firms can take advantage of improved legislation on postal, express or courier shipments. The Colombia Customs Code contains Postal and courier shipping rules. Certain postal shipments (correspondence, postcards, and printed materials) are exempt from licensing requirements and payment of duties. Courier or express shipments with a value of less than $1,000 and a weight of under 20 kilograms are freely imported and classified under HS *98.03.00.00.00*, but are subject to a 10 percent CIF tariff and 16 percent VAT on the CIF-duty-paid value of shipments. Rules apply to both air and surface shipments.

Joint Ventures/Licensing Return to top

Globalization has created a pressing need for a range of new technologies in Colombia. Although joint ventures and licensing agreements have been important business practices in Colombia, they have become even more important recently as businesses strive to become more competitive.

Leasing is playing an important role in developing and modernizing domestic industry, including several joint export-oriented units. Colombian industry urgently needs to modernize many of its processes (which imply product diversification for alternative markets through changes in production facilities) and to upgrade obsolete equipment.

To reach these goals, Colombia needs to acquire new capital equipment and state-of-the-art technology.

Leasing is also an important mechanism utilized in Colombia for productive financing, as reflected in the amounts of the total portfolio market of the financial sector. The importance of leasing is also reflected in the formation of gross capital assets. One of the essential characteristics of leasing, as a financial service within the framework of the Colombian economy, is that it is an adequate tool for investment financing under industrial re-conversion policies.

Selling to the Government

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Government entities, institutes, industrial and commercial enterprises must follow the provisions of Law 80 of October 31, 1993 which regulates purchases made and contracts entered into by the government and state industrial and commercial enterprises.

Under Law 80, Colombian government contracting agencies must select contractors through a public competitive bidding process. There are a few exceptions to this rule, which are clearly established in Article 24 of Law 80. Some of the exceptions under which a direct contracting procedure is allowed are:

Contracts for minor amounts - - minor amounts are expressed in multiples of the established Colombian legal minimum monthly salary (currently about $166 – without the additional benefits and/or compensation pay). A minor amount may range from 25 minimum monthly salaries to 1,000 minimum monthly salaries, depending on the annual budget of the contracting entity. For instance:

(1) If the annual budget of the contracting entity is less than or equal to 6,000 minimum monthly salaries, under direct contracts it is allowed to acquire goods and services that do not exceed 25 minimum monthly salaries in value;

(2) If the annual budget of the contracting agency is equal to or exceeds 1,200,000 minimum monthly salaries, under direct contracts it may purchase goods and services that do not exceed 1,000 monthly salaries in value;

Loan agreements: inter-agency administrative contracts; professional, scientific and technological services; and evident emergencies and

Whenever bidding is not awarded for reasons such as: a lack of proposals; when the bids do not meet the terms of reference or specifications; when there is only one bidder; when products originating in or destined to agriculture or livestock breeding are offered through legally organized commodities exchanges; and in contracts executed by state (government) entities for the rendering of health services.

Foreign individuals not domiciled in Colombia or foreign private legal entities without a branch in Colombia that are interested in government contracts must provide a copy of their registration with the corresponding registry in their country of origin. They must also submit documents proving their existence and incumbency whatever is the case. In addition, they must appoint an agent or legal representative, domiciled in Colombia, which is duly authorized to bid on and execute the contracts as well as to represent the foreign enterprise in and out of court.

Under Law 80, Colombian bidders enjoy preferential treatment. Given equal contracting conditions, domestic goods and services are preferred. The Colombian government has strongly recommended those all-official entities, and decentralized government industrial and commercial organizations "buy Colombian." Under similar conditions, for all Colombian government acquisitions preference must be given to Colombian products and services whenever competitive prices and quality are found versus "foreign" products and services. The same procedures must be followed in connection with concession and association contracts signed with Colombian government entities. When foreign firms bid under equal conditions, the contract is awarded to the firm that includes a greater number of domestic workers in its workforce, more domestic content in its products, and better technology transfer conditions.

As a general rule, all individuals and legal entities wishing to enter into contracts with state entities must register with the chamber of commerce in their jurisdiction in order to be qualified, classified, and rated in accordance with the provisions of Law 80. Foreign bidders and/or suppliers of equipment and services are also required to register with a Colombian chamber of commerce under the so-called "Registro Unico de Proponentes" (Bidders Register) and, in most instances, must be pre-classified and pre-qualified by the chamber and, in some cases, by the Colombian government contracting agency.

The requirement for both the "Bidders Register" and the "Merchants Register" with a local chamber of commerce is to be replaced by a "Sole Entrepreneurial Register" (Registro Unico Empresarial/RUE), which comprises a more complete profile on all business people, businesses, enterprises, contractors and bidders for qualifying for executing contracts with government entities.

A system known as SICE/Sistema de Informacion de Contratacion Estatal (State Contracting Information System) is a database that was introduced on May 1st, 2002. Its purpose is to register and obtain a certificate for all foreign and domestic suppliers of all types of commodities and services, their products and prices in order to be able to enter into contracts with state agencies and industrial and commercial enterprises. One can also register via Internet in accordance with CUBS/Catalogo Unico de Bienes y Servicios (The Sole Catalog of Goods and Services) which is a listing of goods and services classified, standardized and codified with the products that may be acquired by government entities. Registration is subject to a minimal fee. SICE is expected to become a database with 3,000 municipal, state and national entities and more than 100,000 suppliers. For additional information on SICE and on registering, interested parties can access the following web sites: www.sice-cgr.gov.co; www.contraloriagen.gov.co; and www.telecom.com.co.

Although Law 80 has made the government contracting system more dynamic, Colombia is still not a signatory (it acts as an observer) to the WTO (World Trade Organization) government procurement code. There have been frequent complaints of a lack of transparency in the letting of major government contracts. The RUE and SICE systems explained above are expected to become useful tools for better transparency in the process of contracting with government entities.

The Colombian government and congress are also studying possible changes to be introduced to the contracting statute. Presently a bill introduced by the Uribe administration is working its way through the Colombian Congress to introduce changes to this code. This bill, purportedly submitted among other reasons, to meet the nation's commitments to the IMF, seeks to give greater power to the Comptroller's Office (Contraloría) to nullify contracts and ensure transparency in all phases of a project.

Also, the bill would derogate provisions exempting certain sectors or entities from submitting to general contracting regulations. The bill also would establish on a national level the Information System on State Contracts, Sice, which aims to give the general public more information on the contracting process, thereby reducing opportunities for corruption. Cali was the first city to implement this online system in July 2004.

Certificate of Reciprocity: The Colombian Government procurement statute seeks to establish simple procedures based on the principles of transparency and objective selection; it provides equal treatment to foreign companies on a reciprocal basis. Although liberal, the procurement statute impedes complete access by imposing a requirement for certifying reciprocity. The principle of reciprocity embodied in Laws 80 and 816 ensure national treatment under the same conditions for Colombian bidders in other countries. The U.S. Government is unable to provide such a certificate, as each of the fifty U.S. states acts as a separate commercial jurisdiction. In the meantime, the Department of State provides a certificate that U.S. companies may offer in lieu of a statement certifying reciprocity. Certificates can be obtained from the Economic section of the U.S. Embassy in Bogota. Companies requiring this document should be prepared to provide the following information: their company name, tender name, tender number, name of the Colombian entity letting the tender and the general purpose of the tender.

Distribution and Sales Channels

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Colombia offers a full range of sales channels to consumers, with various distribution methods depending on the type of product offered. These methods range from traditional ones in which wholesalers sell to traditional shops which then sell to the public, to more sophisticated methods, such as large department stores and hypermarkets, which have rapidly gained popularity.

While most imported items, especially capital equipment and raw materials are still purchased through agents and distributors; some large domestic manufacturing companies import most of these items directly. Furthermore, some major distributors, wholesalers and end-users are opening purchasing offices and warehouses in the United States and contacting suppliers and manufacturers via the Internet, thus avoiding intermediaries in Colombia.

Consumer products from countries worldwide are available in Colombia at acceptable price levels, but still many enter the country as open and technical contraband can be attributed, in part, to the high cost of importing. The Colombian government has attained encouraging results in its effort to reduce contraband. Free trade zones and bonded warehouses are commonly used for imported merchandise and processing of export-oriented goods.

Selling Factors/Techniques

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The United States traditionally has been Colombia's main trading partner as it is a "natural" market for U.S. products and services. Among the factors favoring U.S. exports are: the geographic proximity of the two countries; most Colombians who study abroad prefer to study in the U.S.; the large number of U.S. firms operating in Colombia; and the technological leadership that the U.S. maintains in many key industrial sectors.

U.S. suppliers should be aware, however, that their ability to compete in Colombia could be hampered by unfair business practices such as contraband, counterfeiting, intellectual property rights violations, under-invoicing, money laundering, and dumping. If a company has specific concerns, it should check with the U.S. Commercial Service of the U.S. Embassy in Bogotá.

Quality, profitability, functions, financing, and price play an important role in the buying decision. The after-sales service arrangement is significant, not only in the original buying decision, but also in maintaining the sales relationship. U.S. suppliers must either have their own representative with adequate operations or obtain a Colombian representative who can offer sufficient after-sales service.

To obtain better prices, guarantees, parts, and after-sales servicing, Colombians prefer to deal directly with manufacturers rather than through outside representatives, jobbers, or trading companies.

Regarding major projects, the earliest possible involvement by U.S. firms in Colombia's upcoming major infrastructure programs are of the utmost importance. U.S. manufacturers and construction, service and engineering companies should initiate contact as soon as possible with government entities and private firms, which have indicated plans, or even just interest, in developing projects. Once a project has gone to tender, it is usually too late to be competitive if the supplier company has not already in some way become involved. As mentioned in the section "Selling to the Government", a local agent or legal representative is required for all government contracts. Therefore, U.S. companies interested in government procurement or contracts should appoint an agent or representative as quickly as possible.

Electronic Commerce

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E-commerce development prospects are promising in Colombia since congress approved it. The U.S. and Colombia also have signed an e-commerce agreement that emphasizes open and fair e-trade. E-commerce has reached a stage in which it is critically important to agree on international standards in the areas of electronic signatures and authentication to avoid the emergence of discordant standards as to what constitutes a "digital signature" or what constitutes valid certificates in different jurisdictions. Decree 1747 of 2000 regulates Law 527 of 1999 and establishes rules on certification entities, certification and/or certificates, and digital signatures. The Superintendent of Industry and Commerce has been given full responsibility on authorizing certification entities, carrying out their inspection and control, and on imposing necessary penalties. It also oversees that they comply with the law. Guaranteed security is a critical factor for consumers considering an on line transactions.

Several institutional and societal factors have combined to restrain more rapid growth of e-commerce in Colombia. However, U.S. e-commerce companies should note the overall potential offered by the Colombian market. Colombia's B2B (about 90 percent of the E-Commerce market) will likely offer U.S. companies the greatest opportunities for export sales. Most Colombian e-commerce will take place through North American vendors, and great opportunities exist for large and small U.S. companies and the home office community that can efficiently utilize e-commerce technology to their benefit.

Trade Promotion and Advertising Return to top

The introduction of new consumer products to the Colombian market usually requires an extensive advertising campaign. Companies' marketing strategies frequently include media ads, and printed technical and sales articles in a combination of media -- radio, television, cable TV, newspapers, periodicals, trade magazines, and the Internet-- announcing sales and special offers. As a major entertainment form for Colombians, television is also one of the most effective media for advertising in Colombia.

Some companies also are effectively using a variety of marketing techniques to promote consumer products, including raffles, discount coupons, and accrual of points to exchange for a variety of products and/or services. Credit card holders are also entitled to market promotions and discounts, as well as subscribers to some newspapers, magazines or cellular services. Promotional seasonal "sales" have also become popular in Colombia throughout the year, usually on special holidays such as Valentine's Day (which is a different day in Colombia than in the U.S.), Father's Day, Mother's Day, etc. Overnight shopping in most malls during long weekends is being introduced in major urban centers.

Colombia has about thirty important daily newspapers (the three principal daily papers are in Bogotá), a large number of trade and business papers and magazines, nationwide and regional television networks, AM and FM radio stations, and private local cable TV companies. Also available is a great variety of business, industrial and trade publications from most Colombian industrial and trade associations and private publishers. Most publications have web sites.

Newspapers and Periodicals:
EL TIEMPO: www.eltiempo.com
EL ESPECTADOR: www.elespectador.com
LA REPUBLICA: www.larepublica.com.co
PORTAFOLIO: www.portafolio.com.co

Magazines:
LA NOTA ECONOMICA: www.lanota.com.co/economia
CAMBIO: www.revistacambio.com
DINERO: www.dinero.com/dinero
SEMANA: www.semana.com
BUSINESS COLOMBIA: www.amchamcolombia.com.co

Fair Authorities:
CORFERIAS: www.corferias.com

Radio Networks:
CARACOL: www.caracol.com.co
RCN: www.rcn.com.co
TODELAR: www.todelar.com
SUPER: www.cadenasuper.com

TV Networks:
Caracol: www.canalcaracol.com
RCN: www.canalrcn.com

Cable TV networks:
SKY: www.sky.com.co
Direct TV: www.directv.com
TV Cable: www.tvcable.com.co
Cablecentro: www.cablecentro.com
Supercable: www.supercabletv.net.co
Superview: www.superview.com.co

CS Bogota's Products and Services:
www.export.gov/cs
www.buyusa.gov/colombia/en

Pricing Return to top

Colombian consumers buy many imported products, but the cost of importing can be high. Consumers may pay between 80 percent and 120 percent above the FOB price of imports. The landed price of most consumer goods with local production is calculated by estimating 15 percent of the FOB price for freight & insurance, warehousing and other documentation costs, 20 percent CIF import duty, plus a 16 percent value-added-tax/VAT (assessed on the CIF-duty-paid value of most imports), thus putting their price at an additional 60 percent over the FOB price.

Additional import costs for capital goods and raw materials are much less (between 33 percent and 53 percent) with import duties for these items of between zero percent and five percent for capital goods, and 10 percent to 15 percent for raw materials.

Department stores and supermarkets extend concession contracts to individuals and companies by permitting promotional space in their facilities to promote and sell consumer goods. These promotions include both known and unknown labels, and the goods are offered at discount prices in some cases. If the products are unknown in the market, the department stores or supermarkets may place them in the stores on a demonstration basis for a given period of time and will only place new orders if the products are well accepted by the public and sell relatively quickly. The largest supermarkets also carry their own labels at discount prices.

Suppliers to large store chains, supermarkets, and hypermarkets must provide certain guarantees on the continuity of products offered to avoid foreign surplus stock or remnants entering the Colombian market (i.e., foodstuffs, textiles, apparel, appliances, etc.). Imports of old or used clothing, closeouts, irregulars, off-season or expired merchandise are prohibited.

Sales Service/Customer Support

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After-sales service and customer support is a decisive purchasing factor in Colombia. Government and private firms often request that their potential suppliers provide testimonials regarding satisfaction of other clients with equipment and after-sales service.

Warranty imports is an important factor that supports after sales service in Colombia. Warranty imports including replacement parts and components under warranty by a foreign manufacturer or supplier are exempted from the payment of Colombian import duties. Decree 2685 of December 28, 1999 is the new Colombian Customs Code that took effect on July 1, 2000. Per Section IV, Article 141 of this Code, all merchandise or goods that have been repaired abroad or new ones that will replace items previously exported because they were found to be damaged, imperfect, having malfunctions or with an unsuitable end-use, and are under warranty by a foreign manufacturer or supplier, may be imported into Colombia without the payment of import duties.

All original import and re-export documentation should be kept and presented with replacement imports to clearly identify goods, together with a valid warranty document, transport documentation, etc. A warranty import process must be completed and import declaration documents presented within a maximum of one year from the date the items subject to repair or replacement were exported.

In some instances, Colombian Customs may authorize the importation of replacement goods without the requirement of having previously exported the damaged goods or parts for replacement and/or repair. However, Customs will require a surety or warranty bond equivalent to 100 percent of custom duties paid, valid for one year from the date replacement goods are being imported. This would ensure that damaged goods would then be exported within the following month from the date replacement goods was re-imported.

Article 141 does not mention replacement parts - it refers to goods or products. However, the Customer Services Division of Colombian Customs has confirmed that this article covers all procedures for warranty imports including replacement parts and components. When processing damaged parts exports and replacement parts imports, the parts must be precisely identified, i.e. description of the items, their serial numbers, reference, etc.

Protecting Your Intellectual Property

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Economic liberalization (a process known as “Apertura”) opened the Colombian economy to international trade and capital inflows by slashing tariff duties, eliminating non-tariff barriers, actively negotiating free trade agreements, and reforming foreign exchange and tax legislation, labor regulations and the foreign investment regime.

The “Apertura” has led to the privatization of state enterprises, ports, railroads, and banks. Liberalization has progressed furthest in telecommunications, accounting/auditing, energy, and tourism. It has occurred to a lesser extent in legal services, insurance, distribution services, advertising, and data processing. There is a constant, if gradual, attempt underway to liberalize areas where restrictions remain in force.

See Chapter 6: Investment Climate - Protection of Property Rights for a detailed discussion of these issues.

Due Diligence Return to top

Secure the best international partners to grow your sales. U.S. small and medium-sized businesses can save time and money by contracting the U.S. Commercial Service's International Partner Search (IPS) to find pre-qualified global partners who are already interested in their products and services.

Initiate and manage your international business relationships with confidence. Have the U.S. Commercial Service generate a customized International Company Profile (ICP) on your potential business partners. Researched and prepared by our trade specialists, ICPs enable U.S. small and medium-sized businesses to more effectively evaluate overseas companies. To contract for an IPS or an ICP, visit www.export.gov/cs to find the U.S. Commercial Service office nearest you.

Prohibition against doing business with Specially Designated Narcotics Traffickers (SDNTs): On October 21, 1995, President Clinton signed Executive Order 12978 entitled "Blocking Assets and Prohibiting Transactions with Significant Narcotics Traffickers," which blocks all property subject to U.S. jurisdiction in which there is any interest of members of the various Colombian drug cartels. In addition, the order blocks the property and interest in property of persons who have been determined to play a significant role in international narcotics trafficking centered in Colombia or determined to materially assist in or provide financial or technological support for, or goods or services in support of, the narcotics trafficking activities of persons designated in the Order. It is illegal for U.S. citizens to buy, sell, trade, give away or otherwise engage in transactions involving persons and companies designated pursuant to the Order, who are referred to as SDNT's (Specially Designated Narcotics Traffickers).

A list of the names of such persons and companies is available from the Office of Foreign Assets Control (OFAC), Department of the Treasury, Washington, D.C. 27220, Tel: (202) 622-2520, or via Internet: http://www.treas.gov/offices/eotffc/ofac/sdn

U.S. companies and individuals doing business in Colombia should be aware of the above Executive Order aimed at curtailing the money laundering operations of the Colombian drug cartels. SDNTs include entities or individuals directly involved in the drug trade, companies or front companies they own, and companies or individuals, which supply or do business with any of the preceding. U.S. companies found doing business with SDNTs will be notified by OFAC to cease and desist. Failure to do so can result in financial penalties and criminal prosecution. Most established Colombian companies are not involved in the drug trade. Nonetheless, in addition to doing financial background checks on potential business partners, U.S. companies should also contact OFAC to obtain the most current listing of SDNTs.

Local Professional Services

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U.S. companies bidding on major government, or even private sector, projects/procurement and those entering into joint ventures or other long-term contractual arrangements should seek legal advice. Also, companies that are concerned about the protection of intellectual property such as trademarks, copyrights and patents should also seek legal counsel before entering the Colombian market.

There are a number of good Colombian law firms that specialize in various aspects of commercial law. A number of major U.S. firms who operate internationally have affiliate arrangements in Colombia. Several legal and business services providers in Colombia are found in CS Bogotá's website: www.export.gov/cs.

Web Resources

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Andean Development Corp. (CAF) : www.caf.com & www.comunidadandina.org
ANDI (National Industries Association): www.andi.com.co
ANIF (Financial Entities Association): www.anif.org
Banco de la Republica (Central Bank): www.banrep.gov.co
Banking Association: www.asobancaria.com
Banking Superintendent: www.superbancaria.gov.co
Bogotá Chamber of Commerce: www.ccb.org.co
Coinvertir (Foreign Investment Promoter): www.coinvertir.org
Colombian Customs and Income Tax Offices: www.dian.gov.co
Colombian Government : www.gobiernoenlinea.gov.co
CREG (Energy and Gas Regulatory Commission): www.creg.gov.co
DANE (Statistics Bureau) : www.dane.gov.co
EXIMBANK : www.exim.gov
FENALCO (Merchants Association): www.fenalco.com.co
Inter American Development Bank: www.iadb.org
National Planning Department: www.dnp.gov.co
OPIC: www.opic.gov
Presidencia de la Republica and/or Palacio de Nariño (President's Office): www.sne.gov.co and www.presidencia.gov.co
State Comptroller's: www.contraloriagen.gov.co
State Contracting Information System/SICE: www.sice.gov.co
Superintendent of Corporations: www.supersociedades.gov.co
Superintendent of Industry and Commerce: www.sic.gov.co
World Bank: www.worldbank.org
Telecommunications Enterprise: www.telecom.com.co.

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Chapter 4: Leading Sectors for U.S. Export and Investment

Commercial Sectors

INDUSTRIAL CHEMICALS

Overview

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	2002	2003	2004 (estimated)
Total Market Size	6,000.28	6,180.29	6,365.70
Total Local Production	4,581.49	4,718.94	4,860.51
Total Exports	934.97	963.02	991.90
Total Imports	2,353.76	2,424.37	2,497.10
Imports from the U.S.	780.31	803.72	827.83

(The above statistics are unofficial estimates in millions of USD)

The overall chemical products market in Colombia has been estimated at $6.37 billion. This sector is one of the largest and most complex in Colombia. The chemical sector accounts for approximately 10.14 percent of industrial employment. It also represents 3.5 percent of all establishments and 15.12 percent of gross manufacturing production.

Demand for basic chemicals for all industries; and especially active ingredients for the pharmaceutical, cosmetics, and food and beverage processing industries; is expected to maintain steady growth of about 2 percent yearly. The chemical sector grew an average of 3.0 percent annually between 1995 and 2004.

The entire chemical sector was particularly favored by the open economy measures of 1991 with free licensing and minimum import requirements for about 85 percent of chemical product tariff classifications. Furthermore, Andean Community provisions provide patent protection for basic chemicals, active ingredients and several substances ordinarily imported by the majority of industry sectors. Industries most favored by these measures are those in the agricultural chemical, pharmaceutical, veterinarian, cosmetics and food processing sectors, which could then lead to new product development and investments in sectors with high consumption of industrial chemicals.

Industrial investment and research and development will enhance future prospects in this sector despite current low economic, financial and trade indicators. The Colombian market may reach $6.4 billion if market conditions improve in the short run, i.e. in 2005. Colombia's ability to compete in a global economy will depend on its ability to modernize and automate its industrial infrastructure. To increase sales of industrial chemicals, industrial investment is required in the food and beverage industry, the pulp and paper industry, the chemical industry and the majority of processing industries. Investment is also required in the areas of energy, oil & gas, coal, water supply, water and wastewater treatment, and the application of environmental technologies.

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Industrial chemicals are used in a range of industries such as chemical processing, pulp and paper products, water treatment, oil drilling, textiles, synthetic fibers, soaps and detergents, primary metallurgy, electronics, plastics, pharmaceuticals, cosmetics, fertilizers, explosives, paints and coatings, and food and beverage production. A growing demand for industrial chemicals should result from more serious implementation of the environmental legislation on water treatment. Other positive signs for increased demand in the short term are steady growth rates in the soap, detergent, edible oil and margarine industries; intensive oil and gas exploration and exploitation; and the expansion and modernization of refineries and other petrochemical facilities.

The agricultural sector has maintained healthy growth due to greater efficiency in cattle and poultry raising, as well as in the production of oil palm, sugar, rice, corn, flowers and fish/seafood products. Agricultural chemical consumption has declined recently, however, due to heavy rains that have destroyed several crops and due to an international coffee price collapse (with lower production and exports).

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U.S. suppliers have good opportunities to maintain their average share of the market for industrial chemicals if moderate expansion levels by some private firms in the petrochemical and chemical sectors are maintained. The two major refineries in Barrancabermeja and Cartagena will continue to be modernized, and there are firm plans for constructing at least one new refinery on Colombia's Caribbean coast.

Also contributing to opportunities for market growth in this sector are projects in the areas of water and wastewater treatment, pulp and paper, electric and gas utilities, petroleum refining, plastics production, metalworking, automotive assembly, food and beverage processing, water supply, and environmental technologies.

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DANE: www.dane.gov.co
Departamento Nacional de Planeación: www.dnp.gov.co
Revista Producción Manufacturera

TELECOMMUNICATIONS SERVICES

Overview

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	2002	2003	2004 (estimated)
Total Market Size	Na	Na	Na
Total Local Production	Na	Na	Na
Total Exports	Na	Na	Na
Total Imports	Na	Na	Na
Imports from the U.S.	Na	Na	Na

(Service figures are not available)

In Colombia the telecommunications sector has grown at a higher rate than the overall economy. Still this sector needs to develop more to compete globally. Greater broadband access must be the major focus to drive technological development in communications and connectivity. This telecommunications area provides attractive opportunities for U.S. telecommunications companies.

In Colombia, 70 percent of the population lives around a few big cities, mainly Bogota, Medellin, Cali and Barranquilla, and most of Internet users in the country access the web through telephone lines. Only 1.0 percent of Colombians have access to broadband. Cable and xDSL technologies have been adopted mostly by corporate clients and are available mostly in major cities.

Statistics up to the second quarter of 2004 show that the number of Internet users has increased 17.92 percent over the same period last year; up to the second quarter last year the number of users was 2,000,213 and this year it is 3,585,688. This growth is expected to continue during the rest of the year, but broadband expansion could accelerate it. Even though, there has been a significant increase over the past two years, the penetration is only 7.91percent, which is very low compared to other Latin American countries with similar economies.

In mobile telephony the preferred technology has migrated to GSM and CDMA, and there will be only three cellular telephone companies and one trunking by the end of this year. To generate new sources of revenue, these carriers must introduce enhanced services to compete for attractive business and consumer customers. The companies must offer differential, value added services such as text messages and access to the Internet to compete for the largest portion of the market. The number of mobile phone subscribers has increased 68 percent with respect to 2003, reaching 10.4 million subscribers, a penetration of 22.9 percent. This increase was expected since the entrance of the PCS provider at the end of year 2003. Comcel still has the most subscribers at 5,814 million and a 56 percent share of the market, Bellsouth accounts for 3,297 million of users and Colombia Movil only has 1,3 million subscribers.

Best Prospects/Services

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The telecommunications industries that will benefit most from expansion of broadband access in Colombia will be: cable operators, long distance companies, local exchange carriers, TV broadcasters, satellite companies, software developers, and Internet service providers. Broadband deployment is a top priority because it will increase revenues for telecom carriers, as well as other industries, which should translate in significant investment in and growth of the Colombian economy.

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In Colombia, a debate is being held on a new series of regulations that will affect the future of the television indusrty. Depending on the decisions the government makes, this sector will be either a favorable or unfavorable area for future investments. Although the telecommunications authorities have debated digital TV, it is still a very undeveloped area in Colombia. U.S. investors should be aware of whether the technology to be adopted in Colombia will be that used in the U.S. (ATSC) or that used in Europe (DVB).

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Ministerio de Comunicaciones: www.mincomunicaciones.goc.co
Comisión Reguladora de Telecomunicaciones: www.crt.gov.co

SAFETY AND SECURITY TECHNOLOGIES AND EQUIPMENT

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	2002	2003	2004 (estimated)
Total Market Size	92.5	91.3	94.1
Total Local Production	26.0	27.0	28.0
Total Exports	45.0	25.0	26.0
Total Imports	111.5	89.3	92.1
Imports from the U.S.	60.2	51.1	52.7

(The above statistics are unofficial estimates in millions of USD)

Illegal activities of armed groups financed by narcotics traffickers generate a climate of uncertainty and unrest among Colombians, who have resorted to using private security firms in recent years in order to conduct their personal and business activities in a more relaxed and secure manner. The ever-present threat of terrorism has deepened security concerns nationwide both at the public and private level.

In Colombia, there are two categories of security problems. The first concerns the guerrilla groups operating in Colombia, who saw their influence grow considerably during the previous administration (1998-2002). Terrorist groups have traditionally controlled large rural areas throughout the country, where the government's presence is scarce. However, some terrorist activity has shifted from rural to urban areas.

The current administration has contributed to bringing back confidence in the Colombian economy, applying what is called a "democratic security" policy. Terrorist organizations have been significantly diminished after nearly two years of the current administration, though much remains to be done. Perhaps the most significant progress has been made in recovering rural areas traditionally controlled by guerrillas and paramilitaries. This, however, has increased the risk of urban terrorism.

The second category of security problems involves common crime in the cities to which foreigners and well-to-do Colombians are more exposed. A major contributor to the problem has been the unemployment rate, which has been rising steadily over the past few years. Growing unemployment along with underemployment has had a major effect on the rising crime rate in Colombia. Consequently, Colombians have experienced increased car thefts, assaults, home/apartment burglaries, a wide variety of extortion attempts, short-term kidnappings, and other assorted petty crimes.

The Colombian market encompasses a wide range of technologies used to provide physical protection to facilities and residences. Beginning with the outermost protection ring that most facilities should have, there are several options for perimeter security. Some of the more popular ones are laser beams and pressure sensors that can detect when an intruder breaks a pre-determined invisible barrier. Closing in on the facility itself, a wide range of vibration, aperture, and motion sensors are available in order to signal an intrusion. Intrusion detection devices are usually linked to audible signaling systems in order to deter burglars. Alarm systems work together with access control systems, in which both magnetic and proximity cards offer some of the more popular techniques employed in this area.

Biometrics is being used more each day as they allow for more reliable user authentication than just passwords and/or access cards. Silent panic-button systems in residences and offices have become more and more common as they provide the option of discretely connecting to an emergency response service that will deploy a trained reaction team to the victim's location in coordination with the local police force.

Thefts at banks and commercial institutions remain a threat. This situation accounts for the fact that electronic surveillance systems such as Closed Circuit Television (CCTV) is one of the most sought-after solutions for preventing and recording criminal actions against personnel and property. Guard tour administration systems are also common in Colombia, especially if they offer the option of activating an alarm signal if a security officer does not show up on time at the next inspection post.

The other major threat faced by companies in Colombia besides insecurity is the possibility of a fire starting at or taking place near a facility or installation, especially if they are located in a highly concentrated industrial area. Consequently, fire alarm/protection systems appear as the logical complement to a perimeter-protection and intrusion-detection system. The ongoing trend aims at the integration of all of the above-mentioned systems under common platforms provided by PCs and associated operating systems that allow for the centralization and optimization of security administration.

With the Internet reaching a larger segment of the population on a daily basis, companies and individuals have also become focused on protecting their information. This sub-sector is promising, as there exists a continual increasing demand for information security. Companies dedicated to this special niche of the security industry offer solutions that range from software programs (firewalls and anti-virus) to intelligent cards and devices that offer physical and logic protection for laptops and PCs, which preclude their unauthorized removal from company installations.

Also in the mid-1990s, satellite location technology (GPS - Global Positioning System) emerged as the principal tool for managing and securing vehicle fleets. Several companies began to develop different types of solutions with the same purpose--providing automatic vehicle location (AVL). Transportation companies gradually became more and more interested, particularly as highway piracy became a serious threat. Independent users have also become interested in this technology since some insurance companies offer discounts if vehicles are equipped with some type of vehicle location system.

Another sub-sector that has been traditionally productive and prosperous is that of vehicle and architectural armoring. Vehicle armoring includes light armoring for protection against light firearms and explosive devices, while architectural armoring secures doors, walls, and windows with high quality materials to prevent any type of hostile penetration. Personal protection items such as armored vests also have a high demand in the local market. This sub-sector relies extensively on the importation of materials such as “Kevlar,” but once the materials arrive in country, the production process is handled almost entirely by Colombian personnel.

Best Prospects/Services

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Alarm Systems and Security-System Integration:

- Intrusion Detection
- Panic-buttons
- Closed Circuit TV (CCTV)
- Perimeter Security
- Guard tour administration systems
- Software integration platforms

Access Control:

- Proximity cards
- Biometrics
- Automated Vehicle parking control

Information Security:

- Anti-virus solutions
- Perimeter protection
- Intrusion detection
- Firewalls
- Forensic tools
- Laptop security
- Authentication devices (smart cards and biometrics)

Automatic Vehicle Location (AVL):

- GPS receivers
- Communication modems
- GIS (Geographical Information Systems) software

Ionization Detection Devices:

- Explosives
- Narcotics
- Fixed and portable

Armoring:

- Personal protection garments
- Vehicle armoring
- Architectural armoring (doors and windows)
- Security film (for windows of vehicles and facilities)

Safety Equipment:

- Breathing masks and apparatus
- Safety accessories
- Fire Protection (Detection and Extinction Systems)

Surveillance and Counter-surveillance equipment:
- Digital cameras
- Zoom lenses
- High-sensitivity microphones
- Communications monitoring equipment
- Investigations software and tools

Polygraph Equipment:
- “Lie detectors”

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In general terms, safety and security equipment used in Colombia is not produced in country, as there is no significant investment in research and development in the technological field. Foreign products (including those produced in the U.S.) have a good chance of entering the Colombian S&S market as they guarantee both quality, and in most cases, affordable prices, depending on specific end-user needs. The market trend can be summarized as a sustained but moderate growth situation, in which most of the key players are dedicated to importation, distribution, installation, and support of S&S equipment manufactured internationally.

There exist good opportunities for U.S. firms in this market, but an important consideration is that Colombian legislation states on that foreign security companies may not participate directly in security or security-related companies or enterprises, so joint-venture agreements with local companies are a must.

The security business in Colombia attracts many multinational companies that see Colombia as a promising and highly profitable market. End-users in Colombia have begun to understand the benefits related to purchasing protection technologies both at a personal and corporate level. Companies have also recognized that administering a business implies conducting surveillance and keeping control of people, information, and property. Managers are also seeing the benefits of implementing security systems in the sense that they can reduce costs for the company while helping to generate a sense of discipline and to increase the security awareness level among employees.

Specifically, the demand for perimeter protection, intrusion detection, and panic button systems has grown to the point of becoming a priority for middle to upper class families, and also for a wide range of businesses. The security industry that has emerged in Colombia in recent years has been experiencing steady growth. Top executives from both multinational and local firms have come to rely more heavily on different types of security equipment in order to protect their lives and property. There are also good business opportunities for law enforcement equipment and accessories as indicated by recent visits from U.S. company representatives.

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ANDI (National Industries Association): www.andi.com.co
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Bancoldex (Foreign Trade Bank): www.bancoldex.com/general/index.php
Banking Association: www.asobancaria.com
Banking Superintendent: www.superbancaria.gov.co
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Code of Federal Regulations: www.gpoaccess.gov/cfr/index.html
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Colombian Government : www.gobiernoenlinea.gov.co
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Legisnews: www.legisnews.com/legiscomex
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Ministry of Foreign Trade: www.mincomercio.gov.co
National Planning Department: www.dnp.gov.co
Presidencia de la Republica and/or Palacio de Nariño (President's Office): www.sne.gov.co and www.presidencia.gov.co
Registraduria Nacional del Estado Civil (National Registrant Bureau/AFIS): www.registraduria.gov.co
State Comptroller's: www.contraloriagen.gov.co
State Contracting Information System/SICE: www.sice.gov.co
Superintendent of Corporations: www.supersociedades.gov.co
Superintendent of Industry and Commerce: www.sic.gov.co
Superintendent of Surveillance: www.supervigilancia.gov.co
U.S. Treasury: www.treas.gov/offices

FINANCIAL SERVICES

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	2002	2003	2004 (estimated)
Total Market Size	NA	NA	NA
Total Local Production	NA	NA	NA
Total Exports	NA	NA	NA
Total Imports	NA	NA	NA
Imports from the U.S.	NA	NA	NA

(Service figures are not available)

The Colombian financial system is relatively large in comparison with the nation's gross domestic product. It has many highly sophisticated institutions with state-of-the-art technology. However, financial services are still very costly and intermediation remains, by far, the most important financial activity.

In the process toward becoming a multi-banking system, the Colombian financial sector has been evolving from specialization to a scheme of subsidiaries. From 1993-1997, the system registered a credit boom despite the fact that a deviant speculative bubble was in evolution. This resulted in the financial crisis of 1998-2000. New reforms, which have fostered the conversion of mortgage banks into commercial banks, have been implemented to cope with this crisis. About one-third of banking and non-banking institutions have been closed, taken over or forced to merge. Many of the weaker financial institutions are now affiliated with more experienced and financially sound owners. The presence of foreign banks has intensified competition, and government authorities have made significant efforts to improve the health of the financial sector.

Still, experts consider that the Colombian financial system has neither reached its ideal size, nor attained the multi-banking scheme. Further downsizing and operational cost reductions in the coming years are needed. Recent capitalization returned stability to the sector.

Commercial Banks perform the broadest scope of financial services. They are allowed to complete all authorized credit operations, with the exception of leasing operations and real sector investments. Only commercial banks provide checking accounts. Within this group, some institutions specialize in housing and other in real estate construction financing (mortgage banks). Commercial banks dominate the financial market, accounting for over 80 percent of the financial system's assets.

The inherent financial activities in Colombia are provided by the following institutions under the direct supervision of the Banking Superintendent: 28 commercial/mortgage banks of which 25 are privately-owned and three state-owned; five financial corporations, 27 commercial finance companies including leasing companies and six pensions and severance fund managers.

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Colombia has made serious efforts to become competitive in the area of financial services. Structural conditions of the country's technological resources and the infrastructure of public services hamper a better outcome. Colombia's financial services heavily depend on the mass use of computers, Internet access, and the capacity of telecommunication channels and visible costs.

Transactions have increased 1,652 percent over the last four years. Banks offering this service hope for continued significant growth, particularly when only seven percent of utility bills, taxes and other payments are made electronically. Banking entities are expanding their Internet niche market, besides traditional corporate and personal banking (50 percent of total clients) they are focusing on the government sector and on investment banking. Personal banking transactions represent 67 percent of total transactions while 82 percent of the total value corresponds to corporate banking. The outlook is very positive for financial services beyond traditional operations.

The number of customers using Point of Sale (POS) or data-phone rose from 53,000 in 1999 to 58,000, in 2003. The popularity of credit/debit cards is also growing. The bulk of transactions are made with debit cards. Visa Colombia, MasterCard, American Express and Diners are the most widely accepted credit cards. According to the latest available data, there are 2,488,861 credit card holders, of which 47 percent use Visa, 39 percent use MasterCard, 12 percent Diners and American Express 2 percent. One important incentive for credit/debit cardholders is a new tax incentive of a 2 percent sales tax reimbursement on credit/debit card purchases.

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Under an agreement with Bancolombia, American Express (travel, financial and network services company) initiated operations in Colombia in November 2002. Bancolombia, the only financial institution in Colombia that represents American Express for now, has laid the groundwork for approximately 30,000 establishments to accept American Express credit cards.

The new trend is for local companies to issue their own credit cards. Alliances among financial entities and wholesale and retail hypermarkets are soaring as a way to promote sales and increase bank portfolios. Fierce competition among hyper and supermarkets has forced merchants to offer additional incentives to clients.

The Automatic Clearinghouse (ACH), an electronic network of financial entities with credit/debit operations, is growing continuously. Transactions mostly include payroll payments, government payments, and supplier operations, among others. The sector's goal is to expand its financial services to turn the market into a more efficient and competitive industry that will offer better and cheaper products to the final consumer.

Primary electronic services offered by the Central Bank (Bank of the Republic) through its Banking Operations Division to institutions of the financial sector and the National Government, are:

- Central Deposit for Securities -DVC (Depósito Central de Valores), through which the management of securities issued and administered by the Bank of the Republic takes place.

- Electronic System of Negotiation –SEN (Sistema Electrónico de Negociación) of securities issued and administered by the Bank of the Republic in the secondary market, of simultaneous transactions and inter bank loans under the figure of payment against delivery, which is appropriate for the transparency in the determination of prices and the reduction of non-payment risk.

- Foreign Exchange, which handles the management of payment agreements, the International Exchange System, financing of imports and exports, checking accounts in foreign currency and international investments, among others.

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The Colombian financial sector has become stronger over the last three years. With a few exceptions, financial entities experienced a remarkable recovery. Several factors played a key role: restored economic growth and stability creating a corresponding need for credit and investment; low interest rates, a decline in non-performing loans and an increase in provisions. Privatization of public-owned financial institutions continues to be an issue.

The financial industry is benefiting from the transfer of technology and increased efficiency brought by foreign investors. Although access to financial services has improved, especially with virtual banking, Colombia is far from reaching the standards of developed countries. Though all Colombian banks have web pages, only 6.6 percent of the Colombian population has access to this technology. Almost all financial entities have plans to expand the coverage of their e-banking products/services, including monetary transactions. The outlook for sophisticated financial services is very positive. Over 2,400 ATM networks have been installed by the financial sector countrywide. The sector's goal is to expand its financial services in order to make the market more efficient and competitive.

Market demand calls for locally chartered full-service commercial banks able to operate through a network of branches around the country. These banks should have a flexible approach to supply custom-made solutions to the diverse needs of domestic and international customers, and should be able to offer them a wide variety of products and services in private, correspondent and corporate banking as well as in investment banking.

Colombian banks need a range of information technology expertise including solutions and hardware for merging the operations of banking institutions. Electronic banking to support new products, and e-banking solutions & hardware Security and risk management solutions & hardware are a must.

Leasing of foreign assets is allowed. International leasing operations will be further encouraged by recent measures to promote the organization of Private Free Trade Zones in Colombia and represent a good prospect for U.S. providers. Domestic and international leasing (both operating and capital finance), have traditionally been used in

Colombia as a way to acquire assets, whether they be vehicles, machinery or any other assets.

The manufacturing and transportation sectors have been the main users of leasing services. Leasing has taken a number of forms, including temporary importation of assets, cross-border leasing and sale and leaseback operations. Leasing companies have been gradually converting into finance companies.

Factoring and international credit insurance also offers opportunities. Transactional financing is more associated with consumer goods trade, while equity-based financing is more related to project financing.

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Legisnews: www.legisnews.com/legiscomex
Ministry of Foreign Trade: www.mincomercio.gov.co
National Planning Department: www.dnp.gov.co
Presidencia de la Republica and/or Palacio de Nariño (President's Office):
www.sne.gov.co and www.presidencia.gov.co
State Comptroller's: www.contraloriagen.gov.co
State Contracting Information System/SICE: www.sice.gov.co
Superintendent of Corporations: www.supersociedades.gov.co
Superintendent of Industry and Commerce: www.sic.gov.co

ELECTRICAL POWER SYSTEMS

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	2002	2003	2004 (estimated)
Total Market Size	1,716.9	1,882.3	1,933.1
Total Local Production	703.9	689.3	703.1
Total Exports	181.0	152.0	155.0
Total Imports	1,194.0	1,345.0	1,385.0
Imports from the U.S.	294.8	249.9	257.4

(The above statistics are unofficial estimates in millions of USD)

The current organization of the Colombian electricity market is a direct result of the provisions set forth in the country's latest 1991 Constitution, and two principal pertinent laws that entered into force in 1994: The Public Utilities Law and The Electricity Law. At that time, the central government utilities were subdivided into separate businesses that are currently partially privatized. The potential for US sales in this sector varies depending on the respective activity: generation, transmission, commercialization or distribution. The electricity parts and supplies market also offers certain sales opportunities.

Public utilities have increased their rate of capacity additions since 1997, investing more in thermal generation than in hydroelectric power plants. In fact, public utilities have expressed their intention to increase the thermal share of their portfolio of power generation units within the next five to ten years. The historical investment behavior of both private generators and public utilities set the basis for the expected capacity addition to the Colombian System.

Principal market activities:

- Generation – This activity was a government monopoly until 1995. Presently it is a mixed activity, with well over 50% of generation being private. While it is open, regulatory uncertainty remains problematic. In general, 67% of generation capacity is hydroelectric and 33% thermal. With respect to centrally dispatched thermal generation, currently 80% of such plants are gas fueled, and 20% are coal fueled.

- Transmission – While theoretically open to competition, transmission is virtually monopolistic. *ISA, Interconexión Eléctrica S.A. E.S.P.*, which is controlled by the government's Mines and Energy Ministry, is the only electricity transporter with national coverage. *Transelca S.A. E.S.P.,* which is a mixed company and a member of the ISA Group, is the most important player in Colombia's Atlantic coast region. The remaining 20% belongs to nine companies, some of which are also involved in generation and trading.

- Distribution / Trading - These activities are carried out by companies that handle a particular Department (state) or metropolitan area, constituting regional monopolies. There are some 31 participating companies, nine of which are private. A number of distribution companies have been the targets of government intervention for increased debts to the generators.

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The electric power market is transitioning from large-scale infrastructure project construction to the optimization of power systems already in place. Market potential depends largely on the increase of public and private sector industrial power demand, which would lead to the final implementation of some of the projects planned through the end of this decade.

Electrical equipment primarily includes power, distribution, and specialty transformers; switchgears; motors and generators; industrial controls; and steam, gas, and hydraulic turbines and turbine generator sets. Market figures include other electrical products, different components and parts such as batteries and those incorporated in the manufacture of some electrical household appliances and refrigerators, panels and panel boards, some lighting fixtures and accessories, welders, and cables.

Import figures have increased in some single categories such as hydraulic turbines, compression ignition engines, direct current generators, generating sets, boards, panels and other bases for switching and protecting electrical circuits, and coaxial cable.

Opportunities

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The outlook for the Colombian electricity sector is mixed, depending on the activity. A number of large-scale hydroelectric projects offer interesting opportunities for investors and equipment suppliers, as Colombia looks to become, within the decade, the major exporter of electricity in the Andean region and Central America.

In terms of generation, some legislative uncertainty, particularly CREG (Energy and Gas Regulatory Commission) Resolution 034 of 2001, has been a barrier to investment. The scaled-up security policies of current administration's led to a lower incidence of terrorist attacks on the transmission lines in 2003 and 2004, with the related positive implications. Some solid business prospects exist as a result of the trend in the market to continue complementing hydroelectric plants with gas-fueled thermal energy generators. Also, trade and distribution companies are focusing on loss-reduction by acquiring leading-edge management and control systems technologies.

The following are some of the projected major investment opportunities in the Colombian Electricity sector:

- Pescadero-Ituango Hydroelectric Complex – to be the largest hydroelectric power project in Colombia to date, this project is sponsored by, among others, the IDEA, the Antioquia Department Development Institute, and Isagen. This plant, to be built over six years, is to have a capacity of 1,800 MW, and with an estimated investment of US $1.4 billion.

- Porce III Hydroelectric Project – another large-scale project currently in process, sponsored by EPM in Medellin. This project will have a capacity of 660 MW, and is to be built through 2010. Estimated total investment is over US $200 million.

- Miel II Hydropower Project – This project is being promoted by Gestión Energética S.A. (Gensa), previously Hidromiel, and has the backing of the Department of Caldas, which is the second largest investor.

- Cedelca & Electrificadora de Santander – sponsored by the Ministry of Mines and Energy, these two projects are for the privatization, capitalization, or concession of transmission companies through the incorporation of investors and strategic partners. Cedelca will have a capacity of 32 MW, 69% government ownership, and 138,000 subscribers. Santander will have a capacity of 183.5 MW, 82% government ownership, and 372,000 subscribers. Total investment is estimated at US $200 million.

- Meta Power Generation – sponsored by the Department government and currently looking for constructors and investors, the construction of a 145 MW thermoelectric plant, with an estimated investment of US $145 million.

- Cartagena Power Generation – sponsored by Ecopetrol and currently looking for constructors and investors, the construction of a 120 MW hydroelectric plant, with an estimated investment of US $120 million.

- Cocorna Power Project – sponsored by EADE, construction of a hydroelectric plant with a 38,290 kW capacity, feasibility studies concluded, with an estimated investment of US $43 million.

- Alejandria Power Project – sponsored by EADE, construction of a hydroelectric plant with a 15,000 kW capacity, feasibility studies concluded, with an estimated investment of US $22 million.

- Ocoa – Gualanday – sponsored by Ecopetrol, the sale of Ocoa and Gualanday thermoelectric plants and PPA by Ecopetrol to satisfy consumer centers for a total of 18 MW, with an estimated investment of US $20 million.

- Caracoli Power Project – sponsored by EADE, construction of a hydroelectric plant with a 9.5 MW capacity, design has been completed and the environmental licenses obtained, with an estimated investment of US $18 million.

- Rio Frio Power Project – sponsored by EADE, construction of a hydroelectric plant with a 9.4 MW capacity, design has been completed and the environmental licenses obtained, with an estimated investment of US $11.4 million.

Another promising business perspective is the Rural Energy Program aimed at providing electrical power to off-grid areas using renewable energy systems such as solar, wind and small & medium hydro plants. This program calls for new generation systems and the recovering of existing ones. The government has taken steps to secure funding for the program. This consolidation trend will also take place in the energy power systems sector. Foreign investors still must be aware of the impact of legislative instability and the low predictability of policy makers.

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ACOLGEN (Association of Power Generation Companies): www.acolgen.org.co
ANDI (National Industries Association): www.andi.com.co
Banco de la Republica (Central Bank): www.banrep.gov.co
Banking Association: www.asobancaria.com
Banking Superintendent: www.superbancaria.gov.co
Bogotá Chamber of Commerce: www.ccb.org.co
Coinvertir (Foreign Investment Promoter): www.coinvertir.org
Colombian Customs and Income Tax Offices: www.dian.gov.co
Colombian Government : www.gobiernoenlinea.gov.co
Colombian Oil. Co./Ecopetrol : www.ecopetrol.com.co
CONEXPO (fairs/events publicity) : www.conexpo.com/event
CORFERIAS (Fair Authority) : www.corferias.com
CREG (Energy and Gas Regulatory Commission): www.creg.gov.co
DANE (Statistics Bureau) : www.dane.gov.co
Empresas Publicas de Medellin/EPM : www.eeppm.com
FENALCO (Merchants Association): www.fenalco.com.co
ISA/Interconexión Eléctrica S.A. (Power Transmission): www.isa.com.co
ISAGEN (Power Generation): www.isagen.com.co
Legisnews: www.legisnews.com/legiscomex
Mining and Energy Planning Unit, UPME: www.upme.goc.co
Ministry of Foreign Trade: www.mincomercio.gov.co
National Planning Department: www.dnp.gov.co
Presidencia de la Republica and/or Palacio de Nariño (President's Office):
www.sne.gov.co and www.presidencia.gov.co
State Comptroller's: www.contraloriagen.gov.co
State Contracting Information System/SICE: www.sice.gov.co
Superintendent of Corporations: www.supersociedades.gov.co
Superintendent of Industry and Commerce: www.sic.gov.co
Superintendent of Public Services: www.superservicios.gov.co
The Ministry of Mines and Energy, MME: www.minminas.gov.co
Transelca: www.transelca.com.co

OIL AND GAS MACHINERY AND SERVICES

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	2002	2003	2004 (estimated)
Total Market Size	746.4	778.5	920.0
Total Local Production	52.2	58.2	70.0
Total Exports	50.8	59.8	60.0
Total Imports	745.0	780.1	910.0
Imports from the U.S.	395.0	415.7	650.0

(The above statistics are unofficial estimates in millions of USD)

Colombia has estimated reserves of up to 47 billion barrels of crude and natural gas distributed in eighteen sedimentary basins covering over 1,036,400 square kilometers. Seven of these basins have ongoing commercial production activity. The total area under exploration and production is estimated at 30 percent of the territory, leaving most of the country available for exploration activities. The prospectivity index in Colombia is approximately two wells per 1,000 square kilometers, one of the lowest in the world.

As of the end of 2003, Colombia had some 1.5 billion barrels in oil reserves (down from 3.4 billion in 1992), and with an annual oil production rate of about 198 million barrels per year, reserves could last for seven years, at which time Colombia would be a net importer of crude. Natural gas reserves at the end of 2003 were 4 tera cubic feet (with projections of 3.8 TCF by the end of 2004) and could last more than 20 years given the country's annual consumption of 209 giga cubic feet, and there are indications that demand is expected to increase above these levels. As a result, the Colombian government has made oil & gas exploration a top priority, and one of the main challenges of the country is to achieve an average production level of around 900,000 barrels per day by the end of the decade. To reach this target, upstream investment levels should reach US $2 to 4 billion, which should translate into the drilling of approximately 190 exploratory wells (most of them between 5,000 to 10,000 feet deep), in order to discover net reserves of approximately 2,400 million barrels of oil by 2010.

There are several projects such as the Cusiana-Cupiagua gas treatment plant that will soon provide 180 MCFD from the Cusiana-Cupiagua fields to the inner Colombia markets by the end of 2005. The plant will help reach the government's objective to expand the estimated gas demand of 1,000 MCFD by 2013. Another project aims to increase production and could help satisfy Venezuela's demand for natural gas via a new gas pipeline, as well as a potential project to export Colombian gas to Panama to provide fuel to the country's electric power plants.

To attract needed investment, the Colombian government's National Hydrocarbons Agency (ANH) is developing new incentives, and is improving a comprehensive data bank that interested firms can consult to determine the areas for conducting exploration activities. Regulatory modifications introduced include reduction of royalty payments from a flat 20 percent of total production to a percentage that varies according to the volume of production and current international oil/gas prices. Other changes aim to reduce the government's current 50 percent participation in profits after deducting royalties and costs. This participation now fluctuates according to the size of the reserves discovered.

Best Products/Services

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Best prospect equipment for the sector includes chemical additives for the drilling process; rotary rock drill bits; drill pipe for oil and gas; casing and tubing pipe; drilling rigs and collars; and other parts and components for oil and gas field equipment.

Opportunities

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Any U.S. company interested in pursuing oil & gas exploration and production contracts, they must approach the ANH. If interested in providing services or supply equipment, then they must approach Ecopetrol, to take advantage of the current boom in the country.

Other potential opportunities involve petrochemical projects estimated at US $2,000 million that could be very attractive to U.S. firms. These projects include a US $800 million expansion of the Cartagena Refinery to increase daily capacity to 140,000 barrels, a US $730 to US $1,260 million Olefins Cracking Plant, the US $130 million Cusiana/Cupiagua Gas Treatment Plant, and the US $215 million for Barrancabermeja refinery products hydrotreatment plant. Other investments include ethanol producing plants to comply with the law's requirement of a 10 percent ethanol mixture with gasoline to improve air pollution conditions in the country.

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CS Bogota contact: Julio Carbó, Commercial Specialist (Julio.Carbo@mail.doc.gov)
National Hydrocarbons Agency (ANH): www.anh.gov.co
Ministry of Mines and Energy: www.minminas.gov.co
Coinvertir (Invest in Colombia Corporation): www.coinvertir.org
Colombian Oil Company (Ecopetrol): www.ecopetrol.com.co
Colombian Government: www.gobiernoenlinea.gov.co
Inter-American Development Bank (IDB): http://www.iadb.org/exr/country/eng/colombia/
National Planning Department: www.dnp.gov.co
The World Bank: www.worldbank.org

(Insert Title of Leading Sector #6)

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	2002	2003	2004 (estimated)
Total Market Size			
Total Local Production			
Total Exports			
Total Imports			
Imports from the U.S.			

(Insert footnote information here)

(Insert text here)

Best Products/Services

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(Insert text here)

Opportunities

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(Insert text here)

AIR CARGO SERVICES

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Data Table (in thousand of tons)

	2002	2003	2004*
Total Market Size	523.0	580.0	631.0
Total Local Cargo	122.0	132,000	129.0
Total Outgoing Intl. Cargo	260.0	286.0	332.0
Total Incoming Intl. Cargo	141.0	162.0	170.0
Incoming Cargo from the U.S.	80.0	88.0	86.0
Outgoing Cargo to the U.S.	186.0	214.0	232.0

* The above statistics are unofficial estimates.

Total air cargo transported during 2004 was 502,000 tons (including domestic services). Total outbound air cargo during the same year amounted to 332,000 tons. The U.S. was the destination for nearly 70 percent (232,000 tons) of this total. Flowers accounted for approximately 197,600 tons (80 percent) of total outgoing air cargo to the United States. Total inbound air cargo in 2004 was 170,000 tons, of which nearly 51 percent (86,000 tons) came from the U.S. Some of the product categories traditionally transported by air are flowers, textiles, apparel, footwear, and food products.

Ninety-nine percent of international air cargo transported in 2004 was handled through the country’s four main airports as follows: Bogota, 79.4%; Medellin (Rionegro), 11.1%; Cali, 5.9% and Barranquilla, 1.8%.

Best Products/Services

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Airport security and safety equipment
Material handling equipment
Inspection equipment security devices
Forklifts
Cold storage facilities for flowers and perishable products.
Telecommunications equipment and airport related software.
Aircraft for expanded air cargo operations.
Leasing, insurance and finance
Information technology and related products
Cargo Services (brokers, customs, etc.)

Opportunities

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The total annual air cargo market is expected to continue increasing at an annual average of over 10 percent over the next three years. The government and private sectors have optimistic forecasts based on expectations of recovery of the economy. Reasons for this optimism are: The new ATPDEA, which now includes products that were not previously exempted from U.S. import duties, and the security and economic plans of the government that have fostered the investors´ confidence (most economic indicators show positive results). Other reasons for optimism are the Free Trade Agreement (FTA) that Colombia is negotiating with the United States and the negotiations with Mercosur that would lead to a larger integration of Latin America and a very significant expansion.

Principal Colombian airports require improvements to reach standard infrastructure levels. Therefore, there are numerous opportunities for services and products of U.S. companies in the air cargo sector over the next few years, from strategic alliances between airlines to equipment such as equipment mentioned above. U.S. service firms can also offer strategic planning and consulting services, technical advisors, technology-transfer services, solutions and hardware for merging and consolidating airfreight operations. Financial firms can offer services for security/risk management.

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COLOMBIAN ASSOCIATION OF AIR TRANSPORTATION:www.atac.aero
COLOMBIAN ASSOCIATION OF FLOWER GROWERS – ASOCOLFLORES: www.colombianflowers.com
NATIONAL INDUSTRIALISTS ASSOCIATION – ANDI:www.andi.com.co
ASSOCIATION OF INTERNATIONAL AIRLINES IN COLOMBIA – ALAICO: www.alaico.org
COLOMBIAN SPECIAL ADMINISTRATIVE UNIT FOR CIVIL AERONAUTICS – UAEAC: www.aerocivil.gov.co
NATIONAL ASSOCIATION OF EXPORTERS – ANALDEX: www.analdex.org

TRAVEL AND TOURISM

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	2002	2003	2004*
Total Market Size	1,535.0	1,630	1,810
Expenditures of Colombian travelers in the USA	654.0	732	818
Expenditures of Colombian travelers in the rest of the world	881.0	898	992

(The above statistics are unofficial estimates in millions of USD)

The U.S. share of passengers traveling abroad during 2004 was 40 percent of the total outbound market, followed by South America with a 27 percent share, Central America (including Mexico and the Caribbean) with 18 percent, and Europe with 12 percent.

In 2004, approximately 664,000 passengers traveled from Colombia to the United States, of which an estimated 80 percent (531,200) were Colombians. These 531,200 Colombian visitors spent an estimated $818 million in the U.S., excluding airfares. Colombia ranks 17th in the world on the list of top arrival-generating countries for the United States, and third among Latin American countries after Brazil and Venezuela.

During 2004 the total number of outbound air passengers from Colombia increased by 13 percent when compared with 2003 while passengers going to the United States increased by 11 percent. Industry sources had estimated an increase of only 3 percent. Some of the main reasons for this significant recovery were the devaluation of the dollar vis-à-vis the Colombian peso which reached its lower level in several years by the end of 2004, the travel of businessmen to the United States, Latin America and other destinations due to the significant recovery of the economy and the expansion generated by the implementation of the several trade and integration agreements that Colombia has with the United States, Mercosur, Central America, and the Andean Nations.

Currently, 80 percent of Colombians travel on a repeat basis. The average expenditure of a Colombian traveler to the United States is $220 per person/day (excluding airfare), and the traveler spends an average of seven nights in the U.S.

Best Products/Services

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Air Transportation Services
Hotels, motels, lodging facilities
Passenger Car Rental
Restaurants
Sightseeing tours
Amusement: theme parks, natural parks and natural wonders
Shopping
Special interest (like sports, arts, entertainment)

Major beaches
Cruises
Health insurance cards

Opportunities Return to top

The Colombian market offers excellent opportunities for promoting travel to the United States. During the last twelve years the total number of Colombian travelers to foreign countries showed a marked turnaround, increasing from 785,000 in 1992 to 1.3 million in 1997, 1.4 million in 2002 and 1.7 in 2004. As noted above, during 2004 this market experienced a significant upturn and this upward trend is expected to continue during the next few years. Although as previously mentioned, the United States is the main overseas destination of the Colombian tourists and business traveler, it is important to emphasize the strong competition that other destinations offer which posses a need for a continuous promotion of the U.S. market.

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COLOMBIAN ASSOCIATION OF AIRLINES – ALAICO:www.alaico.org
COLOMBIAN ASSOCIATION OF TRAVEL AND TOURISM AGENCIES – ANATO: www.anato.com.co
COLOMBIAN HOTELS ASSOCIATION – COTELCO:www.cotelco.co
COLOMBIAN SPECIAL ADMINISTRATIVE UNIT FOR CIVIL AERONAUTICS – UAEAC: www.aerocivil.gov.co
MINISTRY OF TRADE, INDUSTRY AND TOURISM: www.mincomex.gov.co
VISIT USA COMMITTEE COLOMBIA:www.visit@epm.net.co

COMPUTER HARDWARE AND SOFTWARE SERVICES

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	2002	2003	2004 (estimated)
Total Market Size	807.8	860.0	914.5
Total Local Production	8.0	9.0	10.1
Total Exports	3.2	4.7	6.9
Total Imports	803.0	855.2	910.8
Imports from the U.S.	481.0	510.0	540.7

(The above statistics are unofficial estimates in millions of USD)

Colombia's computer hardware/software market amounted to $752 million in 2001, 807 million in 2002, 860 million in 2003 and it is estimated to reach approximately $915 million in 2004. Real growth of 6.5 percent is predicted from 2003 through 2005, with services growing about 11 percent.

The Colombian imported software market is estimated to have an annual value of $260 million. Despite the fact that piracy is one of the biggest problems that Colombian software industry faces, the National Office of Authors' Copyrights has reinforced its efforts to prevent it. These actions are based on Colombian legislation, which demands that companies present the software licenses that they use in their accounting reports.

The growth of PC software has been boosted by the constant growth of microcomputer sales, which can be used as an indicator to project the market for PC software applications. The price of software for medium and large machines also includes high service costs. As a result, it is difficult to separate services from software, since the same software publishers sell the software, the installation, set up and equipment integration, and the customizing of the product.

An important characteristic of the computer sector in Colombia is the continuous change in market share (in units and dollars) within the computer, peripherals, and software categories. The Colombian market is composed mainly of PCs, networks, laptops and handheld computers. Although microcomputer sales represented only 10 percent of the market a few years ago, they now represent more than 32 percent, followed by peripherals at 25 percent and software at 20 percent. Related hardware (including servers) represented 10 percent; networking products, 8 percent; and maintenance services, 5 percent. By the end of 2004, it is estimated that the number of computers in use in Colombia will exceed 3.5 million units.

Best Products/Services

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The software packages that will continue to be in the highest demand in Colombia are those for customer relationship management (CRM), supply chain management (SCM), business intelligence (BI), database management, electronic document management (EDM), and enterprise resources planning (ERP).

Both public and private sectors have engaged in a large number of ongoing modernization programs with a great need for software applications and computers to interconnect servers as well as to integrate front and back offices. Currently, the major markets for software applications are telecommunications, energy, transportation, agribusiness, education, financial services, industry, and healthcare.

Opportunities Return to top

The Colombian software and computer industry is a strong market for U.S. firms because of its importance to the Colombian economy, the large number of industries the sector can serve, the interest in these sectors to keep up-to-date with the technical developments in the sector, and the significant number of executives that attend the most important international software and computer events.

As the fourth most dynamic information technology (IT) market in Latin America, Colombia offers significant opportunities for U.S. suppliers of software and computer products and services.

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AUTOMOTIVE PARTS AND ACCESSORIES

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	2002	2003	2004 (estimated)
Total Market Size	1,126.0	1,158.8	1,211.4
Total Local Production	389.2	361.9	378.2
Total Exports	136.2	119.8	129.3
Total Imports	873.0	916.7	962.5
Imports from the U.S.	275.8	340.6	357.9

(The above statistics are unofficial estimates in millions of USD)

The large quantity of old vehicles in circulation and the public's long-term use of them are driving a growing demand for automotive parts and accessories in Colombia. Currently, Colombia has about 3.4 million motor vehicles in circulation; many are more than 15 years old and require a broad range of replacement parts. Another factor favoring the automotive parts and accessories market is that approximately 80 percent of cargo transportation and passengers are moved in Colombia by land. Thus, transportation companies need to keep their vehicles in optimum condition to perform efficiently. Also, the approximately 80,000 motor vehicles produced and imported annually create a demand for after-market parts.

The development and growth of the automotive parts and accessories sector depends directly on the sale of motor vehicles in Colombia. Demand for automotive parts and accessories from the three local manufacturing plants (GM, Mazda, and Renault) showed significant signs of recovery in 2004 with a growth of 34.9 percent. Local carmakers are active in the market and have captured market-share by increasing the variety of models produced in country and for exports to Venezuela, Ecuador and other Andean countries. Imports of automotive parts and accessories and maintenance equipment are expected to grow as a result of the large number of vehicles imported and produced during the last five years, which are beginning to demand replacement parts and maintenance, and especially because of the permanent demand of parts and accessories for the maintenance and repair of the Bogota mass passenger bus transportation system, "Transmilenio," and similar systems that will be developed for Cali, Barranquilla, Medellin, the coffee growing region (Eje Cafetero) and other major cities.

Best Products/Services

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Best sales prospects over the short and medium term will be determined very much by the continued demand of the aftermarket and by the demand for parts generated by the equipment already in operation. According to industry and trade sources, local manufacturers plan to manufacture those automotive parts and accessories that will have the largest demand in the local market. Demand for imported equipment will continue the same trend, but the growth brought on by expanded markets created by international trade agreements (such as the CAN-Mercosur, G-3, ALADI, and the U.S. etc.) could mean more opportunities for U.S. imports.

Opportunities

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Tires for small vehicles, trucks and buses, gasoline and diesel engines, piston rings, cast-iron engine parts, carburetors, engine valves, other cast-iron engine parts, fuel-injection pumps, parts of fans, ventilating hoods, air conditioning and parts for motor vehicles, filters, ball bearings, tapered roller bearings, roller bearings, gaskets and similar joints of metal sheeting, electric storage, batteries, nickel-cadmium storage batteries, electrical distribution parts, terminals, electrical splices and electrical couplings, boards, panels, consoles, cabinets for motor vehicles, bodies for passenger automobiles, body stampings, gear boxes, drive axles with differential, suspension shock absorbers, radiators, clutches, suspension systems, parts for power trains, brake parts.

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National Statistics Department-Dane: www.dane.gov.co
Colombian Association of Automotive Parts Manufacturers-Acolfa: www.acolfa.com.co

PLASTIC MATERIALS AND RESINS

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	2002	2003	2004 (estimated)
Total Market Size	1,093.9	1,146.5	1,157.2
Total Local Production	699.2	734.1	778.1
Total Exports	195.6	201.4	271.6
Total Imports	590.3	613.9	650.7
Imports from the U.S.	224.3	233.2	247.2

(The above statistics are unofficial estimates in millions of USD)

The Colombian plastics processing industry was stable in 2004. According to the National Plastics Association, plastics products production grew by four percent in 2004 and total sales by four percent. Real growth in the plastics sector should average six percent annually during the 2003-2004 period in real terms as the Colombian economy and local demand for plastic products grow and the export programs are accomplished.

The local demand for plastic materials and resins is estimated at 623,000 tons per year, assuming an apparent consumption of fourteen kilos of plastic products per capita. Despite production estimated of $699.29 million in 2002 and $734.1 in 2003, plastic materials and resins imports account for approximately 55 percent of the total market, with the U.S. market share averaging 38 percent for the 2002-2003 period. There is a small amount of competition from Germany, South Korea, Mexico and Venezuela. Colombia is still a large export market for U.S. plastic materials and resins.

Best Products/Services

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Polyethylene of 0.94 gravity or more, polyethylene of less than 0.94, linear low-density, polypropylene, polyvinyl chloride emulsions and suspensions, and polyesters are the best prospects for imports into Colombia.

Opportunities

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The bottling and packaging industries serving the food processing, health, cosmetics, house cleaning, industrial products, and lubricating products markets are the major clients for plastics materials and resins, followed by the construction sector. Manufacturing another important plastic products' end-user, grew by 5.8 percent. The above industries use approximately seventy-two percent of the total imported and locally manufactured plastics materials and resins. Extrusion has the largest demand accounting for 63 percent of the market. Injection accounts for 16 percent; blowing 11 percent, with calendaring, thermoforming, and molding accounting for ten percent.

Resources

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The Colombian Plastics Industries – Acoplasticos: www.acoplasticos.org
National Statistics Department – DANE: www.dane.gov.co

FOOD & BEVERAGE PROCESSING & PACKAGING EQUIPMENT

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	2002	2003	2004 (estimated)
Total Market Size	104.0	119.5	130.0
Total Local Production	31.4	39.2	43.0
Total Exports	11.3	15.0	18.0
Total Imports	83.9	95.3	105.0
Imports from the U.S.	26.5	16.9	20.0

(The above statistics are unofficial estimates in millions of USD)

In Colombia, the food and beverage processing and packaging equipment industry is privately owned, except for a few government distilleries. Sector companies range from small family-owned enterprises to large Colombian, U.S. and third country multinationals such as Kellogs, Nestle, Compania Nacional de Chocolates, Noel, etc. The sector is an important component of the national economy that contributes with approximately 10 percent to the GDP, and generates about 120,000 direct jobs. The sector is ranked as one of Colombia's lowest risk sectors.

National and international competition has influenced the sector, which is recognized by its high dynamism, permanent efforts to maintain state-of-the-art technology, continuous product innovation and their retail presentation. The most developed sub-sectors are those that process: dairy; sugar; poultry; edible oils and greases; cacao, chocolate and confectionary; non-alcoholic beverages.

Company mergers to improve the efficient use of installed capacity are frequent as well as implementation of investment in expansion plans.

Best Products/Services Return to top

Food and Beverage Processing:

- Vegetable processing machinery
- Dairy processing equipment
- Brewery equipment
- Mixing and grading apparatus
- Filtering apparatus
- Heat exchangers

Packaging machinery:

- Feeling, sealing, capping machinery

Opportunities Return to top

As competitiveness becomes a stronger requirement to play in the national and international markets, the purchase advances technology and equipment gains higher prioritization.

The Colombian Food and Beverages Processing and Packaging sector is highly diversified. The equipment and technology end-users of each sub-sector have a wide range of sizes. Market opportunities for U.S. manufacturers present a similar variety in terms of equipment production capacity. The significant number of large food processors demand large production capacity, but the largest segment of sector companies are small and medium sized that require an installed capacity in accordance with their size.

Local production of Food and Beverage Processing and Packaging equipment does not represent strong competition. It has improved from basic equipment and spare parts manufacturing, but still has to go a long way before leveling with the latest technologies and electronic/robotics based equipment and production/packaging lines.

Project financing is not a major problem because major market players generate project funding through their own successful operations and/or strategic alliances. During the last decade, medium and small companies known in Colombia as PYMEs (Spanish acronym for Small and Medium Enterprises) are the target for special credit programs, focused on encouraging them to reach higher technical and competitiveness levels. The effort is now enhanced by the upcoming free trade agreement with the United States.

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InterBev: www.interbev.com
International Exposition for Food Processors (IEFP): http://www.processfood.com
PackExpo: www.packexpo.com
XXIV Bogotá International Industrial Trade Fair and Alimentec: www.corferias.com
The VII ANDINAPACK International Trade Fair: www.andinapack.com
ANDI (National Industries Association): www.andi.com.co
Bancoldex (Foreign Trade Bank): www.bancoldex.com/general/index.php
Byington Colombia S.A. (D&B correspondent): www.byington.net
Coinvertir (Foreign Investment Promoter): www.coinvertir.org
Colombian Customs and Income Tax Offices: www.dian.gov.co
Colombian Government : www.gobiernoenlinea.gov.co
CONEXPO (fairs/events publicity) : www.conexpo.com/event
FENALCO (Merchants Association): www.fenalco.com.co
National Planning Department: www.dnp.gov.co
Presidencia de la Republica and/or Palacio de Nariño (President's Office): www.sne.gov.co and www.presidencia.gov.co

MEDICAL EQUIPMENT

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	2002	2003	2004 (estimated)
Total Market Size	204.8	215.7	231.0
Total Local Production	56.05	60.0	65.0
Total Exports	30.9	32.4	34.0
Total Imports	179.2	188.1	200.0
Imports from the U.S.	76.3	80.5	86.94

(The above statistics are unofficial estimates in millions of USD)

The Colombian market for medical equipment, devices and supplies changed considerably with the structural health care reform ordered by the 1991 Constitution. Its regulation and implementation started with Law 100 of 1993. The new general system is operating, but several major players complain that the reform has been slowed down by over-regulation. Some goals, such as universal coverage are far from being met. The most significant reform changes were the termination of the government's monopoly on social security services and the providing of coverage, at no additional cost, to employees' dependents, who usually lacked health care coverage before the reform. Under the new system, the private sector is allowed to participate in administrating and providing health care services, thereby allowing individuals to choose among a wide range of public and private entities. In addition to the reform implementation, this sector has been slowed down by national and international economic recessions, slow de-bureaucratization of former monopolistic institutions, and by the security/political conflicts.

Despite the challenges and inconveniences of the last decade, the sector maintains its traditionally high scientific level of diagnosis and treatment, specially the private health institutions. Transplants are routinely and successfully performed mainly in Medellin, Bogota, and Cali. A significant number of private and some public health care providers operate with state-of-the-art technology and continue to demand the most advanced medical equipment, devices, and materials. Prospective U.S. exporters have the advantage of brand name recognition and traditional end-users' acceptance; however, in developing marketing strategies, they must consider the many changes resulting from the reforms and the sector's restricted economic resources and assist clients in finding attractive financing terms and conditions.

Local production is focused on low and medium technology products such as furniture, electric and mechanical hospital beds, wheel chairs and other orthopedic and physiotherapy devices, prostheses, venoclysis devices, bandages, catgut, dental units; electric lighting equipment, disposable supplies, etc. In many cases, local production has U.S. technical and investment share is the case of large manufacturers that are subsidiaries of U.S. companies such as Baxter Laboratories that holds a significant market share for venoclysis devices and supplies, and Johnson & Johnson medical supplies. These products are sold in the local market and also exported to surrounding countries and the Caribbean region.

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Major market demand is for equipment related to preventive health care, such as laboratory equipment, early diagnostic equipment and other such devices. This is followed by demand for treatment equipment and instrumentation, such as that used in radiotherapy and surgery

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Most private EPSs (Empresas Promotoras de Salud, the Colombian equivalent of U.S. HMOs) have surpassed the economic equilibrium point and have started to be profitable. Those that have not been able to reach the equilibrium point have closed, merged, or are in the process of closing operations. The economic advance of the EPSs is slowly improving the speed of payments to service providers (Instituciones Prestadoras de Servicios - IPSs – institutions such as hospitals, clinics, laboratories, etc.). The improved cash flow allows IPSs to implement technology upgrading and expansion programs.

The EPSs trend to provide services directly to reduce costs by establishing their own hospitals, clinics and laboratories, or expanding the capacity of their currently operating institutions continues to grow, increasing the number of potential end-users for U.S. manufactured equipment. Initially, they start by providing basic services such as general consultations, and they gradually grow into health care centers and hospitals.

Some public sector IPSs have started to show significant improvement in administration and services organization. By reducing costs these institutions are able to compete with private sector institutions and have started to upgrade medical equipment.

Another increasing trend is the inflow of foreign patients that come to Colombia for surgery and treatment, attracted by the high scientific and technical level of local professionals and institutions at very advantageous costs when compared to other countries. This increase in the number of foreign patients is an additional incentive to maintain state-of-the-art equipment and continued education for medical processors.

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CS Bogotá Contact: Maria Teresa Pena: maria.teresa.pen@mail.doc.gov
XXIV Bogotá International Industrial Trade Fair: www.corferias.com
ANDI (National Industries Association): www.andi.com.co
Coinvertir (Foreign Investment Promoter): www.coinvertir.org
Colombian Customs and Income Tax Offices: www.dian.gov.co
Colombian Government : www.gobiernoenlinea.gov.co
National Planning Department: www.dnp.gov.co
Presidencia de la Republica and/or Palacio de Nariño (President's Office):
www.sne.gov.co and www.presidencia.gov.co

CONSTRUCTION AND MINING EQUIPMENT

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	2002	2003	2004 (estimated)
Total Market Size	83.1	192.9	212.0
Total Local Production	10.0	12.0	13.0
Total Exports	6.8	8.8	9.0
Total Imports	79.9	189.7	208.0
Imports from the U.S.	46.1	138.9	160.0

(The above statistics are unofficial estimates in millions of USD)

The Colombian government continues its efforts to improve the condition of its road network, facing challenges such as a high degree of deterioration, a lack of maintenance, and insufficient geographic coverage. Major investments in this area are needed to reduce the current excess costs in transportation expenses and vehicle deterioration, since roads are used to transport the vast majority of the country's cargo. At the same time, the government intends to develop an important program to promote navigation on the 1,600-kilometer Magdalena River running through the heart of the country.

President Uribe intends to reduce the critical highway system's deterioration by bringing in new private sector investment and by allocating collected tolls to highway maintenance and rehabilitation efforts. The National Highway Institute expects to accelerate the development of several concession projects (affected by corruption problems, lack of adequate funding, and lower-than-expected toll collections) to maintain its 16,500-kilometer road network. The Ministry of Transportation estimates that Colombia has more than 70,400 kilometer of roads that fall under the jurisdiction of state and municipal entities, many of which have not met their required maintenance and rehabilitation investment levels.

Additional construction projects involve state and city road networks, especially for mass-transportation networks with the use of articulated-buses such as the internationally-acclaimed Bogota Transmilenio mass-transport system. This innovative bus system will soon reach the industrial area of Soacha and additional new routes within the city. Other Colombian cities that may implement the Transmilenio system include Cali, Barranquilla, Pereira-Dos Quebradas, and Cartagena.

The government also is developing measures to reactivate the housing sector (aiming to build 400,000 new housing units by 2006) and to enhance buyer credibility in the financial system, thus attracting new investment in this key industry sector, and helping to reduce current levels of unemployment. Announcement of these government measures has resulted in improved market conditions, such as the revaluation of existing housing units; an increase in construction activity in large urban areas, and favorable conditions to acquire new or used housing, among others.

Coal reserves in Colombia are estimated at 6.6 billion metric tons (about 40 percent of Latin American coal reserves) making the country the fourth largest coal exporter in the world with 47.8 million tons in 2004, and by 2010 the government expects to produce some 70 million tons. Coal increased its share of total Colombian exports and became the second most exported product after crude oil. Colombia also produces large amounts of gold, emeralds, nickel and other mining products.

The Colombian mining sector suffers from security problems, but continues to be an attractive investment market, especially with large coal discoveries and production expansions being planned. Also, several mergers have also occurred during the last two years, leading to large project expansions and equipment purchases that are estimated to be more than US $1 billion.

The national mining code, Law 685 of 2001, and the revision of the national mining development plan (PNDM) are leading to faster development of new mining projects and helping the government achieve its goal to increase Colombian exports. Several mining products, especially coal, are best positioned to reach this objective. The government is developing an exploration plan to cover more than 120,000 square kilometers of promising areas, including geophysical and geo-chemical prospecting that could allow a better understanding of mineral potential and attract private partners.

The government recently approved reduced import duties for equipment destined for various mining activities (production, processing, transformation and transportation). The measure also covers oil & gas production, transportation, and refining. This benefit will expire on December 2005 and will depend on equipment production from other member countries of the Andean Community.

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Most Colombian mines are open-pit mines, although there are some smaller underground mining operations. Best prospects for mining equipment include shovels, excavators, front loaders, tracked tractors, off-road hauling trucks, and related equipment and parts.

Best opportunities for construction equipment include excavators, backhoes, concrete pumping equipment, pavement equipment, pavement recycling equipment, tamping and compacting equipment, and other public works equipment and spare parts.

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Coal Expansion Projects: Drummond Ltd. and Carbones del Cerrejon are involved in major expansion activities that involve equipment fleet renewals, and infrastructure development.

La Linea Tunnel: The Colombian government opened a tender to build the 8.6 kilometer tunnel on the highway from Bogota to the Buenaventura Port, at an estimated cost of US $274 million. The proposed tunnel is to be built between the municipalities of Calarca (State of Quindio) and Cajamarca (State of Tolima) at more than 2,400 meters above sea level.

Barranquilla Access Canal Deepening Project: This will allow access of Handymax ships (with a draft of 33 feet).

Integrated Mass Transportation Systems (SITM): The government is looking for a US $600 million credit to fund the central government's share in the expansion of Bogota's SITM, and the development of the Barranquilla, Bucaramanga, Cali, Cartagena, Medellin, and Pereira's SITM systems, that could cost some US $2.6 billion.

Resources

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National Highway Institute (Invias): www.invias.gov.co
Coinvertir (Invest in Colombia Corporation): www.coinvertir.org
Colombian Government: www.gobiernoenlinea.gov.co
Ministry of Transportation: www.mintransporte.gov.co
Ministry of Mines and Energy: www.minminas.gov.co
Mining and Energy Planning Unit: www.upme.gov.co
National Concessions Institute (INCO): www.mintransporte.gov.co/inco
National Planning Department: www.dnp.gov.co
Drummond Ltd.: www.drummondltd.com
Carbones del Cerrejon: www.cerrejoncoal.com
Colombian Geological and Mining Service: www.ingeominas.gov.co
Inter-American Development Bank (IDB): http://www.iadb.org/exr/country/eng/colombia/
The World Bank (WB): www.worldbank.org

POLLUTION CONTROL EQUIPMENT

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	2002	2003	2004 (estimated)
Total Market Size	93.5	96.7	106.0
Total Local Production	8.1	10.0	12.0
Total Exports	6.3	8.5	10.0
Total Imports	91.7	95.2	104.0
Imports from the U.S.	56.5	54.4	60.0

(The above statistics are unofficial estimates in millions of USD)

Environmental investments in both the public and private sectors continue at a standstill due to the country's recent emergence from an economic crisis. Recent growth figures are not satisfactory (the Colombian economy grew 3.8 percent in 2003), but government and industry sources are optimistic about the overall outlook for the country, especially after the recent renewal of the agreement with the International Monetary Fund, and the possible signing of the U.S.-Colombia Free Trade Agreement.

Nearly 25 percent of Colombia's population (10.1 million) lacks aqueduct services, and 40 percent lacks sewerage (16 million), especially in the rural areas. The country's coverage of potable water reach 95.4 percent of the total urban population, sewerage coverage reach 83.5 percent of the population. For the country's rural areas the situation is different: aqueduct service coverage reaches 44.2 percent and sewerage coverage only reaches 21.1 percent of the total rural population. The regulatory agency CRA estimates that nearly 45 percent of the treated water (by the country's 1,800 water utilities) is not accounted for; it is produced but not paid for by the users or through losses in piping systems, therefore creating a large problem for utilities and users, hurting future investments.

Government sources estimate that the country needs to make environmental investments in the range of US $3.3 to US $3.4 billion per year to maintain an adequate level. The World Bank estimates annual investment needs in aqueduct and sewerage systems to be US $700 million, or about US $1,000 million per year if wastewater treatment plant needs are included.

The Ministry of Environment, Housing and Territorial Development (MMA) considers that close to 80 percent of Colombian municipalities dispose untreated wastewater into rivers or lakes. Colombia is a regional leader in the development and implementation of a wastewater pollution charge or fee (tasa retributiva) but only a few environmental agencies have established regional funds to finance wastewater treatment facilities. Cities such as Bogota and Medellin own wastewater treatment plants, and other cities such as Cartagena are developing plans for a underwater outfall system with World Bank funding or are developing plans for such treatment systems, but funding remains a central concern.

Colombia is undergoing serious market initiatives aimed at promoting the use of renewable energy sources, especially for non-grid, isolated areas. Efforts are underway to promote private ventures in the areas of solar, wind, and small-hydro systems. If successful, the effort would allow the use of energy in sustainable community projects. Empresas Publicas de Medellin awarded Germany's Nordex Energy GmbH a 17-million-Euro contract to supply 15 wind turbines (US $27.8 million) for the 19.5 MW Jepírachi wind power project, the first of its kind in Colombia, and will receive financial support from the World Bank's Prototype Carbon Fund with greenhouse gas reduction credits. Other electric utilities are interested in pursuing renewable energy projects (mainly wind). Another non-traditional project is the Amoya run-of-river hydro project which is expected to produce some 80 MW of electricity and environmental services aimed at protecting the surrounding paramo areas.

A major obstacle to the sector's growth is the current fiscal deficit that affects the availability of resources from the government budget and smaller investments from private entities. Most public sector funds are expected to come from transfers from the electric power sector, and the collection of royalties, taxes, and other contributions from the so-called "green markets". New financing arrangements for the private sector include new credit and tax incentives like sales and income tax exemptions for environmentally sound technologies, new economic instruments and pollution charges, carbon dioxide sequestration options, and other stock market alternatives.

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Best prospects include water and wastewater treatment plants, water pollution monitoring and control equipment, pumps, valves, solid waste hauling and disposal equipment, air pollution monitoring and control equipment, and environmental services (consulting). The operation and management of municipal services such as providing potable water and collecting, hauling and disposing of solid waste offer good market opportunities for U.S firms.

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The Water Regulatory Commission (CRA) is developing new regulatory methodologies to incorporate the cost of "unaccounted for" water, and the cost of sewage collection, into end-user fees to allow for financing of large infrastructure developments needed throughout the country. In addition, the MMA is working on the incorporation of pollution charges to fund the cost of wastewater treatment plants. There are several projects with partial multi-lateral banks funding. Regulations regarding air pollution and solid and hazardous wastes are being developed at a time when public financing is almost non-existent, and enforcement has traditionally been lacking.

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Ministry of Environment, Housing, and Territorial Development: www.minambiente.gov.co
Coinvertir (Invest in Colombia Corporation): www.coinvertir.org
Colombian Hydrology, Meteorology and Environmental Research Institute: www.ideam.gov.co
Colombian Government: www.gobiernoenlinea.gov.co

Water and Basic Sanitation Regulatory Comission (CRA): www.cra.gov.co
Inter-American Development Bank (IDB): http://www.iadb.org/exr/country/eng/colombia/
National Planning Department: www.dnp.gov.co
The World Bank: www.worldbank.org

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Agricultural Sectors

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Processed Food

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	2002	2003	2004 (estimated)
Total Market Size	3,150	3,200	3,260
Total Local Production	3,310	3,370	3,420
Total Exports	860	890	900
Total Imports	700	720	740
Imports from the U.S.	165	180	195

(The above statistics are unofficial estimates in millions of USD)

The conclusion of a free trade agreement (FTA) between Colombia and the U.S. by mid-2005 will certainly improve the import conditions and facilitate trade for agricultural products. The goal is to negotiate a zero import duty for some of the main agricultural raw materials imported from the U.S. such as corn, wheat, soybeans and soy products.

Best Products/Services

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Demand in Colombia for processed foods and other high value food products have grown steadily starting in early 90's. Specific products showing an upward increase in sales since then are poultry meat and beef offal, fresh/frozen pork, mechanically de-boned chicken meat, hatching and table eggs, fresh fruits, breakfast cereals, beer, pet food, and assorted snack foods. In 2004 Colombia experienced an economic growth of 3.5 percent that was reflected in a 20 percent increased in U.S. imported agricultural products. A similar growth in the economic activity is projected for the current 2005, which will again have a favorable effect on U.S. agricultural trade to Colombia. The Colombian peso has revaluated 14 percent in 2004 and it is likely that it will continue despite the GOC efforts to stem the revaluation of the currency. However, this phenomenon will favor a growth in the demand for imported products, including the US agricultural processed products.

Historically, Chile is the principal supplier of imported fresh fruits to Colombia. Foreign competition in good-quality wine primarily comes from Chile, Argentina, Peru, and European countries. Marketing efforts continue to introduce good Californian wines into the Colombian market. Several Latin American countries receive preferential duty rates, because they are members of the Latin American Integration Association (LAIA), known in Spanish as ALADI. LAIA is formed by 11 countries: Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico, Paraguay, Peru, Uruguay, and Venezuela. Also, the Andean Community (Bolivia, Colombia, Ecuador, Peru, and Venezuela) receives preferential duties.

Although the production of domestic processed foods is growing, imports play an increasingly important role in meeting consumer demand for these products. The Colombian market for processed foods and other high-value food products is growing, as a result of the urbanization process, which has implied also a dynamic fast-food industry and drastic changes in the food marketing structure. A strong competition in the supermarket sector has also had an important impact on imports. The United States is the principal foreign supplier of consumer-oriented food products to Colombia. U.S. food products are highly regarded in the Colombian market for their quality and value as well as their wide variety and creativity to offer new products.

Opportunities Return to top

U.S. food industries looking for breaking into the Andean market for processed food may consider joint ventures with the local industries and/or new investors. The business environment provided by a free trade agreement with the U.S. will make these ventures an expansion possibility for the local and neighboring markets.

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Trade Shows: Agroexpo is an exhibition with emphasis on food processing equipment that takes place every two years. Agroexpo will occur in Bogota on July 14-24, 2005. Information on www.Corferias.com

Alimentec is an incipient trade show specialized on food products. It takes place in Bogotá every two years. Last version of Alimentec took place on August 25-28, 2004. Information on www.corferias.com

Information on the processed food sector in Colombia can be obtained from Mr. Octavio Campo, Executive Director of Food Industry Chamber at the National Association of Industrialists (ANDI for its Spanish initials): Calle 35 No. 4-81, Bogotá, D.C., Colombia. Telephone (57-1) 232-3602, fax (57-1) 232-3603, E-mail: ocampo@andi.com.co. Web site: www.andi.com.co.

INVIMA is the Colombian government agency regulating processed food products. INVIMA stands for the National Institute for the Surveillance of Food and Drugs and is under the umbrella of the Ministry of Social Protection. The contact is Mr. Carlos A. Robles, Deputy Director for Food and Alcoholic Beverages, Invima, Carrera 68D No. 17-11 or 17-21, Bogotá, Colombia. Telephone (57-1) 294-8700 Ext. 3922; fax (57-1) 294-8700, Ext. 3920. E-mail: crobles@invima.gov.co Web site: www.invima.gov.co

Agricultural Specialist at the American Embassy – Bogotá is Alberto Restrepo at FAS, E-mail: alberto.restrepo@usda.gov Telephone (57-1) 315-4147 or 315-2138, fax (57-1) 315-2181.

COTTON

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	2002	2003	2004 (estimated)
Total Market Size	96	105	111
Total Local Production	30	34	49
Total Exports	0	0	0
Total Imports	64	70	63
Imports from the U.S.	35	43	40

(The above statistics are unofficial estimates in thousands of metric tons. Cotton marketing year is August-July).

Duty free access for textiles and garments to the U.S. market under the Andean Trade Benefits Act (ATPDEA) boosted Colombia's cotton demand. The increased consumption is being filled by both higher domestic production and higher imports. Colombian production is rising rapidly and it is expected to grow to 48,700 tons in the 2003/04 marketing year. Increased planted area, good weather conditions and use of biotech seeds have helped this trend. Imports are expected to increase, although less rapidly than production, to 62,600 metric tons in 2003/2004. Cotton imports from the U.S. increased 14 percent to 43,323 metric tons in calendar 2003. Colombia mainly imports short length fiber from the U.S., which is not produced locally. The Government of Colombia is strongly encouraging cotton production by guaranteeing a minimum price paid to growers and has added a guarantee for producers against appreciation of the peso. The mandatory requirement for importers to purchase local production (absorption mechanism) was replaced by a new tariff-rate quota system (importers who purchase local production are charged a lower import duty).

Cotton consumption is expected to increase in the 2003/04 marketing year by 14 percent to 110,950 metric tons and we expect in 2004/05 an additional increase of 9 percent to 120,950 metric tons.

Best Products/Services

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The expansion of the textile industry triggered by duty free access to the U.S. market for garments and textiles under the Andean trade preferences (ATPDEA) has resulted in a larger cotton demand. The high quality of Colombian products and the well developed garment industry give Colombia a competitive advantage among other Central and South American countries. The U.S. companies have also started direct investments in Colombia, with the first joint venture starting at the second half of 2004.

Cotton imports reached 59,460 metric tons in the 2002/03 marketing year, 6.9 percent higher than year before. Imports are expected to increase to 62,600 metric tons in 2003/2004 and a further 11.8 percent in 2004/05 marketing year. During the period of January-March 2004 Colombia has imported 11,455 metric tons of cotton.

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The U.S. market share has been growing due to high quality and the preference for short fiber cotton not available from other sources. Colombia is a large producer of denim, which uses the short fiber cotton imported from U.S. Cotton from the U.S. has the additional advantage for Colombian textile industry of having lower freight costs due to the proximity with the U.S.

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The U.S. cotton and yarn industry is locally represented by the regional Andean office of the Cotton Council International and the Cotton USA Sourcing Program. This office organizes the participation of the US cotton and yarn industry in the largest regional textile trade show called COLOMBIATEX. You may contact Ms. Nina Maldonado, Andean Regional Manager, Carrera 14 No. 94A-44, Of 402, Bogotá 8, D.C., Colombia. Telephone (57-1) 623-3132, fax (57-1) 623-3076, E-mail: sourcingusaandeanreg@cable.net.co or nmoffice@cable.net.co

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WHEAT

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	2002	2003	2004 (estimated)
Total Market Size	1,337	1,409	1,462
Total Local Production	29	32	33
Total Exports	0	0	0
Total Imports	1,180	1,240	1,290
Imports from the U.S.	767	780	790

(The above statistics are unofficial estimates in thousands of metric tons. Wheat marketing year is July-June).

Wheat production is marginal in Colombia and is expected to maintain the level of 32,000 tons in the 2003/04 marketing year. Low quality wheat and limited areas to expand production mean that little increase in area is expected in the future. The industry has been encouraging producers to move to alternative crops. The wheat duty is currently zero under the price band system, so there is little incentive to plant new areas.

Wheat consumption is expected to grow six percent during the next two years due to increasing consumption of pasta.

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Wheat imports are increasing, with imports from the U.S. benefiting from lower prices relative to Canadian wheat. The U.S. share could benefit from new investments in technology and additional training in grain handling. The trade agreement currently under negotiation between the Andean Community and Mercosur could result in lower duties for imports from Argentina starting July 1, 2004. The current duty for wheat imports under the variable Andean price band duty is zero. A negotiated free trade agreement between Colombia and the U.S. will likely result in a zero duty for imports of U.S. wheat. This fact and the proximity to U.S. Gulf ports will certainly give an advantage to U.S. wheat over other origins.

Wheat stocks will represent 40 days of total consumption during 2003/04 marketing year. The industry is taking advantage of a stronger peso to increase stocks.

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There has been a restructuring of the wheat milling industry in Colombia since the early 1990's after the dismantling of the Government of Colombia's agency in charge of agricultural imports (IDEMA). The easier way to import wheat has concentrated the milling activity in fewer and better-prepared millers. Some millers are opening operations near the entry ports, which reduce the transportation costs for wheat flour instead of transporting wheat to be milled in the interior. This focus on new wheat milling products could provide a venue for U.S. investors.

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The U.S. Wheat Associates, Inc. from its regional office in Santiago, Chile, serves the wheat trade in South America. Information on the wheat market can be obtained from Mr. Miguel Galdos, Marketing Specialist, U.S. Wheat Associates, Inc., La Concepción 177/32B, Casilla 16616, Santiago 9, Chile. Telephone (562) 235-7137, fax (562)235-7371, E-mail: mgaldos@uswheat.org Website: www.uswheat.org

The local wheat milling industry is represented by the National Federation of Wheat Millers, FEDEMOL, whose General Manager is Mr. Diego M. Sierra, Carrera 13 No. 28-01, Of. 402, Bogotá 1, D.C. – Colombia, telephone (57-1) 285-8337, fax (57-1) 561-2598, E-mail: fedemol@etb.net.co

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CORN

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	2002	2003	2004 (estimated)
Total Market Size	3,252	3,345	3,475
Total Local Production	1,145	1,195	1,225
Total Exports	0	0	0
Total Imports	2,107	2,150	2,250
Imports from the U.S.	1,600	1,615	1,700

(The above statistics are unofficial estimates in thousands of metric tons. Corn marketing year is October-September).

Corn production is increasing due to new areas entering into production mainly in the coffee region, where the Colombian Government has encouraged planting corn as a cover crop during replanting and pruning of coffee plantations. Local corn prices are supported by the duty reductions given to importers who purchase local production and production is financed through the government agricultural finance institute, FINAGRO. Current producer prices are approximately US$160 per ton.

Corn consumption is expected to grow 6.4 percent in 2003/2004 and a further 4.5 percent in 2004/2005. Stronger economic growth has resulted in an increase in demand for use for human consumption (the main market for the local crop due to high quality and better prices) and rising demand in the feed industry for sales to the growing poultry sector.

Corn imports are expected to increase by two percent to 2.15 million metric tons during 2003/04 and 4.7 percent to 2.25 million metric tons in the 2004/05 marketing year. Increases in local production are devoted to human consumption, so the feed industry depends heavily on imports. The U.S. share of imports is 77 percent (1.61 Million MT) of the total import market of 2.10 Million MT. The U.S. share is expected to increase this year as lower freight costs from the U.S. compensate for lower duties charged for imports from Mercosur countries. The preference given to Mercosur imports could increase under a trade agreement currently under negotiation between the Andean Community and Mercosur.

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Over the longer run, imports of corn, wheat and rice are expected to grow significantly under the proposed free trade agreement between the U.S. and Colombia. Negotiations are underway and are expected to finish by mid-2005. Preliminary estimates indicate that imports of corn could grow to as much as 4 to 5 million tons over the next ten years under a free trade agreement, depending on the terms of the agreement and economic growth.

Opportunities Return to top

As in case of the Colombian wheat milling industry, corn processing could offer a set of investment opportunities to U.S. investors, especially if U.S. corn can enter the Colombian market with a zero import duty under a free trade agreement.

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Trade Shows: Agroexpo is an exhibition with emphasis on food processing equipment that takes place every two years. Agroexpo will occur in Bogotá on July 14-24, 2005. Information on www.Corferias.com

Alimentec is an incipient trade show specialized on food products. It takes place in Bogotá every two years. Last version of Alimentec took place on August 25-28, 2004. Information on www.corferias.com

The U.S. Grains Council has maintained a regional consultant for trade servicing in different grain commodities in Colombia and the Andean region. The current consultant is Mr. Jaime Cuellar, Calle 92 No. 10-40, Apto. 503, Bogotá, D.C. Telephone (57-1) 236-7532, 864-8695, mobile phone (57-3) 315-383-3288, fax (57-1)236-7532 or 864-8704, E-mail: jacuellar@epm.net.co Website: www.grains.org

The local feed industry, a main user of imported feed corn, is represented by the Feed Chamber at the National Association of Industrialists (ANDI for its Spanish initials): Calle 35 No. 4-81, Bogotá, D.C., Colombia. Information on the feed sector in Colombia can be obtained from Ms. Luz S. Kuratomi, Executive Director of Feed Industry Chamber at the telephone (57-1) 288-0735, 338-0235 or 338-4963, fax (57-1) 285-5164, E-mail: lkuratomi@andi.com.co Web site: www.andi.com.co

Another feed manufacturers association is Federal: Ms. Maria L. Losada, Executive President, Carrera 22 No. 85-94 ofic. 602, Bogotá, D.C.-Colombia. Telephone (57-1) 616-4773, 636-1333, fax (57-1) 530-8013, E-mail: federal@andinet.com

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SOYBEAN MEAL

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	2002	2003	2004 (estimated)
Total Market Size	650	680	693
Total Local Production	224	240	243
Total Exports	0	0	0
Total Imports	426	440	450
Imports from the U.S.	18	20	25

(The above statistics are unofficial estimates in thousands of metric tons. Soybean meal marketing year is October-September).

The oilseed meal supply in Colombia is composed mainly of soybean meal, cottonseed meal, palm kernel meal, and sesame seed meal. All fishmeal used in the country is imported from Peru, Chile, and Ecuador. Fishmeal imports have been declining since 1994 (72,092 tons that year), as the world supply for this product has tightened. Fishmeal imports in 2002/2003 were 17.300 tons.

Best Products/Services

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Total domestic consumption of soybean meal and palm kernel meal is forecast to grow three and four percent in 2002/2003 and 2003/2004 crop years respectively. Individually, palm kernel meal usage is expected to maintain the same level and soybean meal is expected to rise two percent in the next two years. Soybean meal accounts for roughly 90 percent of total vegetable meal usage by the feed sector.

The United States supplied 5 percent of all soybean meal imported by Colombia, while the rest has been imported mainly from Bolivia, which as a member of the Andean Community pays no tariff for exports to Colombia.

Opportunities

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If the free trade agreement between the U.S. and Colombia is signed by mid-2005 there might be investment opportunities for U.S. investors in establishing new oilseed crushing facilities in Colombia. Also, there may be investment opportunities in transportation and port infrastructure.

Resources

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Trade Shows: Agroexpo is an exhibition with emphasis on food processing equipment that takes place every two years. Agroexpo will occur in Bogotá on July 14-24, 2005. Information on www.Corferias.com

Alimentec is an incipient trade show specialized on food products and ingredients . It takes place in Bogotá every two years. Last version of Alimentec took place on August 25-28, 2004. Information on www.corferias.com

The American Soybean Association (ASA) has maintained a regional consultant for trade servicing in different grain commodities in Caracas, Venezuela, for the Andean region. The current consultant is Ms. Belinda Pignotti, Program Coordinator, Edif. Banco del Orinoco, Of. 7-D, Piso 7. Ave. Francisco de Miranda, La Floresta. Telephone (58212) 286-1987, 285-4217, mobile phone (5814) 232-7198, fax (58212) 285-8441, E-mail: asacar@cantv.net Website: www.soygrowers.com

The local feed industry, a main user of imported soymeal, is represented by the Feed Chamber at the National Association of Industrialists (ANDI for its Spanish initials): Calle 35 No. 4-81, Bogota, D.C., Colombia. Information on the feed sector in Colombia can be obtained from Ms. Luz S. Kuratomi, Executive Director of Feed Industry Chamber at the telephone (57-1) 288-0735, 338-0235 or 338-4963, fax (57-1) 285-5164, E-mail: lkuratomi@andi.com.co Web site: www.andi.com.co

Agricultural Specialists at the American Embassy – Bogotá is Leonardo Pinzon and/or Alberto Restrepo at FAS, E-mail: Leonardo.Pinzon@usda.gov or Alberto.Restrepo@usda.gov Telephone (57-1) 315-4147 or 315-2138, fax (57-1) 315-2181.

SOYBEANS

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	2002	2003	2004 (estimated)
Total Market Size	576	523	534
Total Local Production	61	63	64
Total Exports	0	0	0
Total Imports	515	460	470
Imports from the U.S.	173	126	160

(The above statistics are unofficial estimates in thousands of metric tons. Soybeans marketing year is October-September).

Soybean production is expected to grow slightly to 64,000 tons in October-September 2004/2005, and the upcoming year production is expected to grow by three percent. The government of Colombia continues to be committed to increase the production of soybeans to substitute for soybean imports through increased production is in the eastern plains, where currently more than 90 percent of the local soybean production is concentrated. However, pest risks, variable weather, high production costs, lack of appropriate infrastructure and large needed investments have kept production at levels below the GOC expectations. The government is hoping that the approval of biotech soybeans in the near future and new soybean varieties developed by CORPOICA (the official agricultural research institute) will improve the prospects for domestic production in the eastern plains. We do not, however, expect a significant increase in production.

Best Products/Services

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Oilseeds and products consumption is expected to continue to grow by three percent per year. Close to 95 percent of Colombia's full-fat soybean meal (FFSBM) production utilizes an extrusion or roasting process. According to the industry, usage of FFSBM in

Colombia is expanding and accounts for as much as 50 percent of the country's total protein requirements. The government banned the use of animal protein in livestock feeds in Colombia due to BSE concerns. This situation is helping to fuel the steady growth in oilseed meal consumption. Soybean meal accounts for roughly 90 percent of total vegetable meal usage by the feed sector.

Imports of soybeans and soybean products from the U.S. increased this year as lower variable duties (due to high world prices) reduced the advantage given by tariff preferences to Bolivia and Paraguay, making the lower cost of shipping from the U.S. a more important factor for importers. The U.S. and Colombia started negotiations on a bilateral free trade agreement in 2004 that is scheduled to conclude in the first 6 months of 2005. The long-term impact of the free trade agreement is expected to shift soybeans and soybean imports from Bolivia and Paraguay to imports from the U.S. as the tariff advantages of those countries are reduced and shipping costs become a more important factor in purchases.

Total imports of soybeans fell for the second year reflecting the shift in imports to soybean meal and oil due to a change in the value added tax in early 2003. Paraguay is the main supplier of soybeans to Colombia, with a 36 percent market share, compared to 27 percent for the United States. Ecuador and Bolivia (Andean Community members that pay no duty) shared 23 percent of the market. The other Mercosur members (Argentina, Brazil and Uruguay) share 13 percent of the market (in the past they have been relatively small suppliers). Paraguayan soybeans pay a reduced duty (one-third less) while Argentina, Brazil and Uruguay receive a preference of paying 20 percent less of the basic duty under a preferential trade agreement. The negotiated preferences in most years make up for the higher transportation costs from Paraguay and other Mercosur countries compared to those of the United States.

Opportunities Return to top

If the free trade agreement between the U.S. and Colombia is signed by mid-2005 there might be investment opportunities for U.S. investors in establishing new oilseed crushing facilities in Colombia. Also, there may be investment opportunities in transportation and port infrastructure.

Resources Return to top

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286-1987, 285-4217, mobile phone (5814) 232-7198, fax (58212) 285-8441, E-mail: asacar@cantv.net Website: www.soygrowers.com

The local oilseed crushing industry, a main user of imported soybeans, is represented by the Chamber of Food Products at the National Association of Industrialists (ANDI for its Spanish initials). Information on the oilcrushing sector in Colombia can be obtained from Mr. Octavio Campos, Executive Director, Calle 35 No. 4-81, Bogotá, D.C., Colombia. Telephone (57-1) 232-3602, fax (57-1) 232-3603, E-mail: ocampo@andi.com.co Web site: www.andi.com.co

Agricultural Specialists at the American Embassy – Bogotá is Leonardo Pinzon and/or Alberto Restrepo at FAS, E-mail: Leonardo.Pinzon@usda.gov or Alberto.Restrepo@usda.gov Telephone (57-1) 315-4147 or 315-2138, fax (57-1) 315-2181.

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Chapter 5: Trade Regulations and Standards

Import Tariffs

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Most duties have been consolidated into four tariff levels: zero percent on capital goods, five percent on industrial goods and raw materials, ten percent on manufactured goods with some exceptions, and twenty percent on "sensitive" goods. Some important exemptions include automobiles, which remain at the level of 35 percent, and agricultural products, which fall under a variable "price band" import duty system. The price band system includes 14 products and 150 substitutes and derivatives, and results in duties approaching or exceeding 100 percent for important U.S. exports to Colombia, including corn, wheat, rice, soybeans, pork, poultry, cheeses, and powdered milk, and negatively affects U.S. access for products such as dry pet food, which is made from corn.

Trade Barriers

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During the 1990's, Colombia began lowering and simplifying its import tariffs. Import duties are quoted ad-valorem on the CIF value of shipments. All duties (with few exceptions) have been consolidated into four tariff levels: a) 5 percent for raw materials, intermediate and capital goods not produced in Colombia; b) 10 percent and 15 percent for goods in the above categories but with produced and registered in Colombia; c) 20 percent for finished consumer goods; and d) the exceptions, such as import duties for motor vehicles which remain at 35 percent, and some agricultural products which fall under a variable import duty system (price band).

These tariff levels are in line with Decision 370 of the Andean Community (formerly "Andean Pact") Agreement, which the governments of Bolivia, Colombia, Ecuador, Peru, and Venezuela approved in November 1994. This Decision is known as the Common External Tariff (CET) and was adopted by Colombia in January 1995 through Decree

205. The Andean Community (ANCOM) countries are reviewing the CET to determine if they should eliminate the 15 percent tariff.

Under Decision 370, Andean Community countries assign a common external tariff (CET) for imports coming from third countries and, while gradually eliminating duties on products manufactured and imported from within the region. Venezuela has implemented the CET but Bolivia, Ecuador, and Peru are adopting the CET procedures as negotiations progress. On the other hand, Colombia has been facing increasing trade problems with Venezuela and Ecuador on some agricultural commodities, such as corn and wheat, as those countries negotiated World Trade Organization (WTO) trade rate quotas and import duties lower than Colombia's. The Andean Community's Board of Directors has analyzed this situation on several occasions, but the results have been below Colombia's expectations.

Colombia has signed several other multilateral free trade agreements that affect trade. Among the most important are: the Latin American Integration Association (LAIA) with Argentina, Bolivia, Brazil, Chile, Ecuador, Mexico, Paraguay, Peru, Uruguay, Venezuela, and Cuba; and also with El Salvador, Costa Rica, Guatemala, Nicaragua, and Honduras which was later renegotiated country by country on a bilateral basis. Other multilateral trade agreements include the bilateral trade agreement with Chile; and the G-3 (Group of Three) with Venezuela and Mexico, under which most tariffs are to be reduced to zero by 2007. Also, Colombia has requested consideration for the North America Free Trade Area (NAFTA) accession and is actively working towards the future Free Trade Area of the Americas (FTAA), in 2005.

The large number of integration agreements that Colombia is party to, has created a complex system of tariffs that are applied according to the different treaties. For example, a product may be subject to more than 10 different duties depending on whether it comes from the Andean Community, G-3, LAIA, or from Caribbean Community countries. The prior import license requirement has been almost eliminated. Approximately 97 percent of the 5,162 products of the Colombian Harmonized Tariff Schedule (CHTS) can be freely imported (no import license necessary, but applicable import tariffs and value-added tax (VAT) must be paid). This Colombian harmonized tariff schedule book shows all import duties that apply. U.S. exporters can obtain copy of the CHTS at:

Lecomex Ltda.	Legis S.A.
Carrera 7 No. 13-65, Of. 602	Ave. El Dorado No. 81-10
Tel. (571) 243-5189/282-3214	Tel. (571) 425-5255
Fax. (571) 342-6195	Fax. (571) 425-5317
Apartado (P.O. Box) 7502	Apartado (P.O. Box) 98888
Bogota D.C., Colombia	Bogota D.C., Colombia
E-mail: Lecomex@elsitio.net.co	www.legis.com.co

Colombia together with Bolivia, Ecuador, and Peru formed the Andean Trade Initiative (ATI), which resulted in the ATPA (Andean Trade Preference Act) of December 1991. This U.S. unilateral tariff exemption, similar to the Caribbean Basin Initiative (CBI), was designed to promote economic development through private sector initiatives in the four Andean countries. Exports of agricultural items were encouraged as part of the strategy to create alternative income sources for drug producers. ATPA benefits expired on

December 31, 2001, and the U.S. Congress approved the Andean Trade Preference and Drug Eradication Act (ATPDEA) until 2006. The Government of Colombia expects to increase exports of more than 6,500 products covered by this preferential treatment, which include textiles, textile made-up products, shoes, and tuna fish, upon compliance with certain requirements. According to the Colombian government, under ATPA, exports to the U.S. since 1997 were more than $3.7 billion. During the first quarter of 2003, Colombian exports under ATPDEA reached $1.7 billion.

Import Taxes: Most imports are covered by a 16 percent value-added (VAT) tax assessed on the CIF-duty paid value of shipments. Some exceptions apply, as in the case of imported vehicles which are covered by a variable sales tax of 16, 20, and 35 percent depending on the type of vehicle, the size of the engine, its intended use, and its price.

The Colombian Congress increased the VAT for locally produced vehicles and reduced it for imported vehicles of less than 1,400 cubic centimeters to 25 percent, leveling it with locally-produced ones. The proposal was a result to a request by several European car manufacturers who claim the VAT differential adversely affected their sales in Colombia.

Non-Tariff Barriers: Although significant progress has been achieved in this area, the Colombian government bureaucracy still constitutes a barrier to trade for both local and foreign companies. In addition, pilferage in Customs warehouses and robberies of trucks is frequent. The absence of clear procedures to solve the problem of incorrect import documentation continues to be a barrier of sorts. For example, shipments are detained indefinitely by Colombian Customs because of improper tariff schedule classification, incorrect address, or typing errors. When mistakes are made by the exporter/importer, the goods may be refused entry into Colombia and be returned at considerable expense to the exporter or importer. The new Colombian Customs Statute, Decree 2685 of 1999, along with Resolution 4240/2000 and Decree 1198/2000, further clarified procedures and requisites, and describes stronger fines and penalties for light infringement of procedures and errors in freight forwarding documents by customs intermediaries (known as Sociedades de Intermediación Aduanera – SIA). U.S. freight forwarders and intermediaries will be subject to the same sanctions and penalties as Colombia’s agents and brokers.

NON-TARIFF BARRIERS TO AGRICULTURAL TRADE

Import licenses issued by the Ministry of Commerce, Industry and Tourism (MOCIT): Most agricultural products are issued automatic or "free" import licenses by the MINCOMEX. However, if the Ministry of Agriculture (MOA) determines that imports are not needed and will cause damage to related domestic production, it can prohibit the imports.

Resolution 04 of June 12, 1998, issued by MOCIT, placed seasoned poultry parts (chicken, turkeys, and other birds) under the “previous” licensing system. Prior to this, seasoned poultry parts were under the “free” import regime, which resulted in automatic issuance of import licenses by MOCIT. Since 1994, import licenses for raw unprocessed chicken/turkey parts have been routinely denied.

Import License Approval Requirement by the Ministry of Agriculture: The requirement to receive prior approval from the Ministry of Agriculture and purchase local production for imports of feed grains and rice expired on December 31, 2003 and the replacement system was put in place on February 16, 2004. The prior system was maintained under a WTO waiver that expired at the end of 2003. The new system is a tariff-rate quota, with the in-quota amount auctioned off based on the commitment of importers to purchase local production. The out-of-quota duty is the higher of either 5 percent or the Andean price band duty. See next section on the Andean Price Band System.

Price Bands: On April 1, 1995, Colombia implemented the common Andean Community price band (variable import duty system). It covers 13 basic commodities (white rice, malting barley, yellow corn, white corn, soybeans, wheat, crude palm oil, crude soybean oil, white sugar, raw sugar, powdered milk, chicken parts, and pork meat) and 134 additional commodities that are considered substitutes. The system covers domestic producers and consumers from volatile world prices by raising import duties when import prices are low and lowering duties when prices are high.

Under the Colombian interpretation of the Andean Community price band system, import duties are based on Andean Community Board determined ceiling, floor and reference prices adjusted to a CIF basis. Import duties are levied on calculated reference prices not on actual invoice prices. If the applicable reference price is within the floor and ceiling price band, the import duty is calculated using the applied tariff rate and the reference price. When the reference price falls below the floor price, a variable duty (or surcharge) is applied, which is the difference between the floor and reference prices. This surcharge is levied in addition to the applied duty. Conversely, when the reference price exceeds the ceiling price a reduction based on the difference between the reference and ceiling prices is applied.

The Andean Community price band system lacks transparency and can be manipulated to provide arbitrary levels of import protection. For example, adjustment factors for freight, insurance and other unspecified costs are not transparent and provide latitude for manipulation of ceiling, floor and reference prices. In many cases, it is impossible for an exporter to estimate the final import duty.

Often the appropriate reference price is not used to assess the import duty. For instance, the ceiling and floor prices for chicken parts are based on U.S. whole broiler prices and the reference price is based on U.S. leg quarter prices. This method increases the likelihood that the reference price will fall below the floor price and the additional surcharge will be added to the import duty. For soft wheat, the floor and ceiling prices are based on hard red winter wheat, which tends to result in a higher import duty for soft wheat, since hard wheat is generally more expensive than soft wheat.

The U.S. government considers the application of this system to be inconsistent with Colombia's WTO obligations. It often appears that the reference price used to calculate the import duty does not accurately match the imported product, which results in the assessment of an inflated surcharge.

Sanitary and Phyto-sanitary Measures: All processed retail food items, including those imported in bulk for repackaging and retail, must be registered and approved by the National Institute for the Surveillance of Food and Medicines (INVIMA), which is part of the Ministry of Social Protection (Decree 3075/97, enacted by the former Ministry of

Health). Products that have not undergone transformation, such as fresh or frozen produce and meat, do not need INVIMA registration. A transformed product is defined by the GOC as having been subjected to processing that resulted in a change in its internal structure.

Non-transformed products that are fresh or frozen (meat and produce) do not need an INVIMA registration, but they do need a sanitary permit from the MOA's Agricultural Institute (ICA). ICA issues import health permits for animal products, vegetables, fruits, and grains. This permit details the sanitary import requirements for these products. The Colombian importer must first obtain the import permit from ICA, before requesting an import license from MOCIT. The ICA sanitary import permit is supplied by the importer to the exporter for submission to the U.S. Department of Agriculture (USDA), which will then issue a sanitary export certificate referencing the requirements in ICA's import permit. No product should be loaded before USDA issues a sanitary export certificate. APHIS of the US Department of Agriculture issue sanitary certificates for products that are not processed, while AMS of the US Department of Agriculture and State Departments of Agriculture issue sanitary export certificates for dairy products.

Sanitary Registration: U.S. exporters should be aware that sanitary registration must be obtained for pharmaceuticals, cosmetics, processed food products, and household insecticides and similar products. The registration must be obtained before exporting the products to Colombia. It is issued by the Instituto Nacional de Vigilancia de Medicamentos y Alimentos - INVIMA (National Institute for the Surveillance of Medicines and Food Products) and the procedure usually takes between three to six months. Sanitary registration is required for both locally manufactured and imported products. Processed food products in institutional presentations do not required a sanitary registration. For more information contact: INVIMA, Deputy Directorate for Licenses and Registry, Carrera 68D # 17-21, Bogota DC, Colombia, Tel. (57-1) 294-8700; Fax (57-1) 294-8700 Ext. 3930. www.invima.gov.co

Import Requirements and Documentation

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U.S. exporters must be aware that their importers in Colombia must follow eight basic steps to complete an import transaction into Colombia:

1) When required, obtain import permits from pertinent government agencies. For example: Ministry of Health (for drugs), Ministry of Agriculture (for certain food products); Civil Aviation Department (for aircraft).

2) Buy and fill out the Import Registration form. File the Import Registration form with the Colombian Ministry of Foreign Trade, Industry and Tourism (MINCOMEX). The form requires a complete product description and tariff classification.

3) Obtain approval from MINCOMEX for the Import Registration Form or Import License (in the few cases when this is required)

5) Make arrangements with a financial entity for payment of the importation.

6) Ask the exporter to ship goods to a Colombian port.

7) Request the Cargo Manifest from the transportation firm.

8) Make arrangements with its customs intermediaries (or Sociedades de Intermediación Aduanera – SIA) to receive the merchandise and get it out of customs. The following are the main steps to be followed:

   a. Fill out the “Import Declaration” (Declaracion de Importacion). When the importation value is equal or more than $1,000. A SIA should do all the paperwork and get the shipment out of Customs.
   b. Fill out the “Andean Custom Value Declaration” (Declaracion Andina de Valor en Aduana) when the importation value is equal or more than $5,000 FOB.
   c. Go to an authorized financial entity and pay the import duties, value-added tax, surcharges and other fees.
   d. Present all documents to Customs.
   e. Customs inspects the merchandise, when they consider it necessary, and then authorizes withdrawal of goods.

The importer must keep import documents for a period of not less than five (5) years.

Import Declaration: The importer must submit an import declaration to the DIAN. This declaration includes the same information contained on the import registration form and other information such as the duty and sales tax paid, and the bank where these payments were made. This declaration may be presented up to 15 days prior to the arrival of the merchandise to Colombia or up to two months after the shipment's arrival. Once the import declaration is presented and import duties are paid, customs will authorize the delivery of the merchandise.

Customs officials are responsible for inspecting merchandise to verify that the description and classification are consistent with the importer's declaration. A customs inspection group has been trained to perform after-clearance random investigations to detect fraud, foreign exchange irregularities, and tax evasion. Major customhouse brokers have a customs office in their own bonded warehouses where most clearance procedures are completed before the merchandise is delivered to the customers.

To carry out an export, the exporter must: 1) remit the proforma invoice; 2) obtain acceptance of conditions from the client (letter of credit, draft bill); 3) negotiate (through a local financial institution) the letter of credit/draft bill from the endorsing foreign bank; 4) present (to MINCOMEX) a form known as “Registration as National (local) Producer, Export Offer and Determination of Origin”; 5) present the certificate of origin (when necessary) with copy of the commercial invoice, and other certificates required by the country of destination (textile visa, phytosanitary certificates, etc.); and 6) complete and present the export declaration (ED) form, also known as shipping authorization of final export declaration, with all attachments as required.

Products that require special documentation include: vegetables, plants, fruits, animals, gold, emeralds, oil, coal, nickel, platinum, textiles, products exported through the General System of Preferences (GSP), products exported through the Andean Trade Preferences and Drug Erradication Act (ATPDEA), products exported through any Free Trade Agreement, and products exported through the Colombian draw back system known as "Plan Vallejo".

U.S. Export Controls

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U.S. exporters should be aware that the U.S. Government may prohibit the export of certain products to Colombia or require export licenses. The Department of Commerce's Bureau of Industry and Security Export Enforcement (BIS) licenses most controlled product and technology exports. Licenses are required for certain high technology items or technology transfers and items with dual use potential (commercial items which could have military applications). In recent years, there have been increasing restrictions on the export of precursor chemicals to Colombia, due to the Drug Enforcement Agency's (DEA) concern that they may be utilized by narco-traffickers to produce drugs. For more information on U.S. export compliance and enforcement licensing issues contact the Commerce Department's Bureau of Industry and Security (BIS): Tel: (202) 482-1208; (800) 424-2980 or web site - http://www.bis.doc.gov. For information on the export of defense articles, weapons and firearms contact the State Department's Defense Trade Controls Directorate (DDTC), Tel: (202) 663-2700; Fax. (202) 261-8264, http://www.pmdtc.org/.

Temporary Entry

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Non-fungible merchandise that can be thoroughly identified by marks, serial numbers, or other symbols can be temporarily brought into Colombian territory for specific purposes. The merchandise must be re-exported immediately after the pre-authorized period, without being subject to any alteration or modification, except for the normal deterioration caused by use.

There are two categories for temporary imports. The DIAN decides which of the two systems has to be applied to a specific case:

Short Term: This allows the importation of merchandise for a specific purpose during a period of time that should not exceed six months; one three-month extension can be requested and approval must be obtained before expiration of the initial authorization. Short-term imports are not subject to import duties, but a guarantee equivalent to 10 percent of the corresponding import duties must be presented to obtain approval.

Demonstration Equipment: The international carnet system for temporary imports of demonstration equipment (to be used in promotional campaigns or trade shows) is not in effect in Colombia. The DIAN has implemented an alternative system. Visitors bringing in equipment for demonstration purposes are requested to fill out a special form provided by the DIAN upon their arrival at an international airport. The equipment may stay in the country up to 90 days. There is no deposit requirement.

Long-Term: Colombian Customs regulations also allow for long-term temporary importation of equipment for a period of up to five years. Under this regulation, the Government allows importation of machinery and equipment as well as related accessories and spare parts if they are included in the same one-time-only shipment. This system is applied to equipment to be used in public works projects and other activities that are important for national economic and social development. Long-term temporary imports are also approved for machinery and equipment brought into the country under leasing contracts within a term of six months to five years.

Long-term customs declarations for temporary imports must include the U.S. dollar calculation of duties and taxes in accordance with the tariff schedule effective on the submission date. The total amount may be divided into equal quotas to be paid semi-annually, during the temporary import period. The importer may be requested to establish a guarantee equivalent to 100 percent of the import duties. Import duties are non-refundable.

Labeling and Marking Requirements Return to top

Specific marks or labels are not required, except for food, pharmaceutical products and textiles. Labels on processed food products must indicate: the specific name of the product, ingredients in order of predominance, name and address of manufacturer and importer, number of units, instructions for storage and usage (when required), expiration date, and other instructions as required by the Ministry of Health or the Industry and Commerce Superintendency. Labels and illustrations cannot be inaccurate or misleading.

Labels on pharmaceutical products must indicate in Spanish: "for sale under medical, dental or veterinary prescription," with the generic name, commercial name, net weight or volume, weight or quantity of active ingredients, license number and the lot control number. For those products having limited shelf life, the date of expiration should be included.

Insecticides and other toxic products should display the skull and crossbones, the word "poison" in Spanish, and information regarding usage and antidotes. Products for which there are no antidotes cannot be licensed and can only be used in programs under the direct control of public health authorities.

Prohibited and Restricted Imports Return to top

The importation of the following products has been specifically prohibited: dieldrin, aldrin, chlordane, endosulfan, heptachlor, lindane and any preparations containing these products; gasoline containing lead tetraethylene; and weapon-type toys.

An import license is required for 101 sub-classifications of the Colombian Tariff Schedule. No import licenses are being approved for the following: used vehicles and parts, used tires, used or irregular clothing, clothing closeouts, used bags and sacks, sacks of vegetable fibers, rags, and scrap cordage of textile material wastes. Only the Military Industry Institute (Colombia’s government-owned arms and explosives manufacturer) may import weapons, explosives, and related raw materials.

Customs Contact Information Return to top

Colombian Tax and Customs Department: www.dian.gov.co

Standards

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Overview

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The Colombian standards regime's legal framework is based on Colombia's accession to the World Trade Organization (by Law 170 of 1994), the approval of the Group of Three (G-3) Trade Agreement between Colombia, Mexico and Venezuela (Law 172 of 1994) and the Andean Community Decision 376 of 1995, which created the Andean Standardization, Accreditation, Assays, Certification, Technical Regulations and Metrology System.

Other regulations include Decree 2153 of 1992 which modified the structure of the Industry and Commerce Superintendency -- SIC), and Decree 2269 of 1993 which created the National Standardization, Certification and Metrology System (SNNCM), under which the Colombian Technical Standards Institute (ICONTEC), the main standards-development organization, and SIC becomes the national accreditation organization.

Standards Organizations

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The Colombian Technical Standards and Certification Institute (ICONTEC), is a private-sector organization created in 1963. Their 1,400 members include government officials, and private firms from different industry sectors. The institute's main focus is to promote the development of technical standards, quality assurance and product certification. They are members of the International Standards Organization (ISO), the International Electro-Technical Commission (IEC).

ICONTEC is founding member of the Pan-American Technical Standards Commission (COPANT) and is also member of the Pacific Area Standards Congress (PASC). In 1996, ICONTEC received recognition from the German Association for Accreditation (TGA) to carry out ISO 9000 quality management certification and is also a member of the International Accreditation Forum (IAF), and IQNet, an international association of national quality assurance certification entities. The Industry and Commerce Superintendency (SIC) has also accredited ICONTEC as a product certifier, quality assurance and environmental systems certifier. For more information on ICONTEC's activities please consult: www.icontec.org.co

ICONTEC's technical standards development committees cover a wide range of issues and topics on metrology, occupational health, air, soil and water quality, solid waste, bar codes, conformity assessment, geographic information, environmental assessments, food and vegetable standards, construction products, among others. For a complete standards development committee list, please check: www.icontec.org.co/normalizacion.asp under "Ambitos Comités Técnicos".

Conformity Assessment

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The Industry and Commerce Superintendency (SIC) through the Delegated Superintendant for Consumer Protection (SDPC) organizes and coordinates the National Certification System, establishes, coordinates, and supervises national quality assurance programs, metrology-related activities, and accredit and supervise certification entities, testing and calibration laboratories that are incorporated in the National Standardization, Certification and Metrology System. The SDPC is composed of the technical standards, metrology and consumer protection divisions.

Conformity certificates can be obtained from accredited organizations, recognized organizations with which there is a recognition agreement, or by laboratory tests performed by an accredited laboratory.

Product Certification

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Manufacturers and importers of products regulated by official mandatory technical standards or technical regulations need to inscribe themselves in SIC's Mandatory Registry prior to the sale of such product. Products can be tested in accredited laboratories to obtain the certificate of conformity and SIC would also accept certificates issued by an accredited certification entity, such as members of the International Accreditation Forum (IAF) multilateral agreement.

The Ministry of Foreign Trade, Industry and Tourism, eliminated the mandatory status of the majority of products previously covered, since most refer to outdated technical standards. SIC is working with other government agencies in the development of technical regulations for products that present threats to health, safety, environment or national security. Development of technical regulations should adhere to internationally accepted practices, and the Colombian Government needs to notify the World Trade Organization, and other relevant organizations, for comments, prior to the new regulation's entry into force. You can find more information about technical regulations under development (awaiting public comment), valid technical regulations, and on Colombian technical standards referenced in technical regulations. You can find them in the following web page: www.mincomercio.gov.co and select "Vice Ministerio de Desarrollo Empresarial – Regulación".

Accreditation

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Colombia has six accredited certification entities on quality assurance systems, electrical products, certification for fruits, vegetables, and other food products, occupational health administration system and environmental management systems, Codex Alimentarius, and e-commerce. Also there are four accredited inspection entities for household gas installations, and food products, as well as 64 testing, 40 metrology (calibration) laboratories operating in public and private institutions.

The following is partial listing of specialized accredited entities:

Quality Management Systems (ISO 9000)
Colombian Technical Standards and Certification Institute (ICONTEC)
S.G.S. Colombia, S.A.
Corporation Center for Technological Research and Development (CIDET)
International Certification and Training S.A. - IC & T
B.V.Q.I. Colombia Ltda.
Cotecna Certificadora Services Ltda.

Environmental Management Systems (ISO 14000)
Instituto Colombiano de Normas Técnicas y Certificación - ICONTEC
S.G.S. Colombia S.A.
B.V.Q.I. Colombia Ltda.

Occupational Health and Safety Management (OHSAS 18000)
BVQI Colombia Ltda.
Colombian Security Council - Consejo Colombiano de Seguridad
Instituto Colombiano de Normas Técnicas y Certificación - ICONTEC

Products
Colombian Technical Standards and Certification Institute (ICONTEC)
Corporation Center for Technological Research and Development (CIDET)
Corporación Colombia Internacional
S.G.S. Colombia S.A.
BVQI Colombia Ltda.
Cotecna Certificadora Services Ltda.

For an updated listing of product certification entities, inspection entities, metrology and testing laboratories, please access: http://www.sic.gov.co - and check under “Servicios en Línea – Acreditación y Metrología - Entidades Acreditadas”.

Regarding sanitary, medicines, biological products, food, beverage, cosmetics, and medical devices and products related to human health, the National Institute for Food and Medicine Surveillance (INVIMA) is the responsible organization. For more information, please check: www.invima.gov.co

Publication of Technical Regulations

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The Ministry of Foreign Trade, Industry and Tourism (Regulations Directorate) is the World Trade Organization’s (WTO) point of contact for Technical Barriers to Trade (TBT), draft technical regulations, and upcoming Colombian notifications on TBT and Sanitary and Phyto Sanitary (SPS) regulations. This group verifies compliance (and coordinates) with the WTO TBT Agreement, the SPS Agreement, and compliance with conformity assessment procedures, among other related matters.

Interested U.S. firms can review different draft technical regulations and can comment on them before the review period expires.

For more information, please check: www.mincomercio.gov.co and look for "Vice Ministerio de Desarrollo Empresarial – Regulación".

Labeling and Marking Return to top

The SIC oversees compliance to labeling and marking requirements of all products (imported or produced locally). These requirements include display the unit of measure (using the international system of measurements - SI). ICONTEC has developed several Colombian technical standards on labeling and marking requirements for different products.

In addition, SIC develops metrological controls for measuring instruments to assure its calibration, following recommendations from the International Legal Metrology Organization (OIML).

SIC operates a Metrology Laboratory where the national standard for the main physical properties (weight, volume, temperature, etc.) serves as reference to the Colombian industry. SIC has been working closely with the U.S. National Institute of Standards and Technology (NIST) in this and other areas of mutual interest.

Trade Agreements Return to top

The Uribe Administration has energetically pursued measures to promote trade. The U.S. and Colombia began negotiations for a free trade agreement (FTA) in May 2004. The Andean Trade Preferences and Drug Eradication Act (ATPDEA), announced on August 6, 2002, retroactively renewed and built upon the expired Andean Trade Preferences Act (ATPA) to further open U.S. markets to Colombian products. Over the past decade, ATPA created an estimated 123,000 jobs. ATPDEA is expected to create an additional 140,000 new jobs. Duty-free access is based upon meeting a requirement that products be substantially transformed into a product of a beneficiary country, must be imported into the U. S. directly from the beneficiary country, and meet the value-added requirement of 35 percent, up to 15 percent of which may be accounted for by U.S. content in terms of cost or value.

Under the ATPDEA, duty-free entry of approximately 6,500 product categories from Colombia into the U.S. is allowed. Previously excluded products such as tuna fish, textiles and apparel now enjoy duty-free access to the U.S. market upon compliance with certain requirements. The President, with advice from advisory committees and the U.S. International Trade Commission, can expand the list of included products. Colombia exported $416 million under ATPDEA in 2002, versus $798 million in 2001 under ATPA. This decline was due to the transition period between expiration of ATPA and extension of new benefits under ATPDEA. In the first quarter of 2003, Colombia exported $660 million under ATPDEA, a significant increase compared to the previous year. Total Colombian exports to the U.S. were $1.7 billion in the first quarter of 2003. Thus, 39 percent of Colombian exports to the U.S. entered through ATPDEA in the first quarter of 2003.

Colombia is party of the Group of Three (G-3) along with Mexico and Venezuela (the G-3 Agreement), in effect since January 1995, under which most tariffs are to be eliminated by the year 2007. Colombia also has a partial free trade agreement with Chile. This agreement provided for the gradual elimination of all bilateral tariff and non-tariff barriers. All of Colombia's bilateral and regional trade agreements are based on Latin American Integration Association (ALADI) regulations and procedures. In April 1998, Colombia, along with the other members of the Andean Community, entered into negotiations for a free trade agreement with the countries of MERCOSUR. In August 1999, a trade preference agreement between Brazil and the Andean Community was signed. In June 2000, a similar agreement was signed between the Andean Community and Argentina.

There are other ALADI partial agreements with Paraguay, Uruguay and the Central American Common Market (CACM) countries (Costa Rica, Guatemala, El Salvador, and Honduras) as well as with Panama, Cuba and CARICOM.

Colombia has signed other bilateral agreements to stimulate trade and ensure most favored nation treatment with Hungary, the Czech Republic, Rumania, Russia, Malaysia, Indonesia, India, China, South Korea, Algeria, Kenya, Egypt, Morocco, Israel, and the Ivory Coast. Colombia has been an active participant in the Free Trade Area of the Americas (FTAA) negotiations. Colombia hosted the second meeting of Foreign Trade Ministers held in Cartagena in 1996, which gave momentum to technical working groups responsible for the FTAA regulatory process until 2005.

Web Resources Return to top

Ministry of Foreign Trade: www.mincomercio.gov.co
Industry and Commerce Superintendency (SIC): www.sic.gov.co
National Customs and Tax Directorate (DIAN): www.dian.gov.co
Corporation Center for Technological Research and Development (CIDET): www.cidet.org.co
Colombian Technical Standards and Certification Institute (ICONTEC): www.icontec.org.co
National Institute for Food and Medicine Surveillance (INVIMA) – equivalent to the U.S. Food and Drug Administration (FDA): www.invima.gov.co
Ministry of Social Protection (formerly Ministry of Health): www.minproteccionsocial.gov.co
Ministry of Communications: www.mincomunicaciones.gov.co
Colombian Agricultural Institute (ICA): www.ica.gov.co
Colombia International Corporation: http://www.cci.org.co

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Chapter 6: Investment Climate

Openness to Foreign Investment Return to top

Colombia has opened its economy considerably since the early 1990's. Economic liberalization (a process known as "Apertura") opened the Colombian economy to international trade and capital inflows by slashing tariff duties, eliminating non-tariff barriers, actively negotiating free trade agreements, and reforming foreign exchange and tax legislation, labor regulations and the foreign investment regime. "Apertura" has led to the privatization of state enterprises, ports, railroads, and banks. Liberalization has progressed furthest in telecommunications, accounting/auditing, energy, and tourism. It has occurred to a lesser extent in legal services, insurance, distribution services, advertising, and data processing. Colombia also restricts the movement of personnel in several professional areas, such as architecture, engineering, law, and construction. For firms with more than ten employees, no more than 10 percent of the general workforce and 20 percent of specialists can be foreign nationals. There is a constant, if gradual, attempt underway to liberalize areas where restrictions remain in force.

Colombia's primary regulations governing foreign investment, Law 9 of 1991, Resolutions 51, 52, and 53 of the Council on Economic and Social Policy (CONPES) and Resolution 21 of the Board of Directors of the Central Bank, generally permit free foreign investment in all sectors of the Colombian economy, with the exception of investment in sectors related to national security and to the disposal of hazardous waste products. In Colombia, foreign and national investments generally receive the same legal and administrative treatment. Although telecommunications, financial services, and oil and mining sectors require sector specific procedures for foreign investors, such as authorization for investment registration, there are no restrictions to the amount of foreign capital invested in these sectors. Direct investment in these sectors is still subject to concession agreements with the Colombian government. Prohibitions on foreign investment in real estate companies were abolished in 1999. In 2000, modifications to the rules governing foreign portfolio investment were approved, while paperwork requirements on foreign investment funds were simplified (electronic submission of required documents to Colombian authorities is now permitted,) and restrictions to foreign investment in publicly traded companies were lifted. Also in 2000, a decree provided for the elimination of limits on acquisition of shares with voting rights by foreign investment funds. Likewise, automatic authorization for these funds was established. However, in December 2004, the Colombian Council on Economic and Social Policy (CONPES) approved a modification to the foreign investment regime to include an obligation for foreign portfolio investments to maintain investments in Colombian for at least one year in order to avoid speculative capital flows. The GOC will fine companies who seek to expatriate their investments in less than 12 months. This decision represents a new restriction on foreign investment.

With respect to the registration, Decree 1844 of 2003 established a complex system of times for registration, starting on December 1, 2004, depending on the modality of the investment, its destination, and whether it is in foreign or domestic currency.

According to a 2002 study by the Colombian investment promotion corporation, Coinvertir, the largest obstacle to greater openness to foreign investment in the country is the high level of legal instability. Excess regulations and constant changes to the rules affect the country's competitiveness to attract investment, resulting in additional operational costs for foreign firms. The FTA negotiations currently underway aim to provide a more predictable and stable climate.

Accounting and auditing: Providers of these services must be registered in Colombia. No restrictions apply to services offered by consulting firms or individuals. Subsidiaries of U.S. based multinational firms control 80 percent of the accounting market.

Advertising: There is no local content requirement for Colombian television, but the National Television Commission charges foreign-made ads double the national rate for airtime.

Audiovisual services: Colombian television broadcast laws (law 182/95 and law 375/96) imposed several restrictions including a requirement that foreign investors must be actively engaged in television operations in their home country. Such laws increased restrictions on foreign content in broadcasting and imposed a burdensome system of quotas during different hours of the day. National broadcasters are required to dedicate at least 70 percent of prime time to locally produced programming and at least 40 percent during all other times.

Television, radio broadcasting and movie production and reproduction fall under national treatment limits. Until October 2000, foreign investment in the television sector was limited to 15 percent of capitalization. However, Decree 2080 of October 18, 2000 increased the cap on foreign investment in television network and programming companies to 40 percent. Law 680 limits ownership by foreign operators to 25 percent for radio broadcasts. Law 29 requires Colombian nationals to be directors and managers of newspapers concerned with domestic politics. All motion picture exhibitions pay a tax to finance the National Cinematographic Development Fund. Seventy percent of the resources from the Cinematographic Development Fund promote national film productions.

Data processing and information: A commercial presence is required to provide this service.

Financial services: Liberalization of Colombia's financial services in the early 1990's permitted 100 percent foreign ownership of financial institutions. It also redefined the structure of the financial system by determining that all foreign investors must receive prior approval from the Banking Superintendency for direct investment of ten percent or more in a Colombian financial entity. Likewise, the Banking Superintendence must provide authorization to portfolio investments in the financial sector through foreign investment funds that plan to acquire equity participation of five percent or more. The use of foreign personnel in financial institutions is limited to administrators, legal representatives, and technicians.

Colombian law requires international banking institutions to maintain a commercial presence in Colombia through subsidiary offices with the same capital and other requirements as local financial institutions. Colombian legislation limits the operation of banks and other financial institutions by separating fiduciary, investment banking, commercial loans, leasing, and insurance services, from banking services. Current legislation (Law 389 of 1997) permits banking institutions to develop such activities in the same office/building, but the management of such services must be separate.

In August 1999, Congress approved an increase of minimum capital requirements for the creation of new financial entities. Law 510/1999 granted the government the right to intervene in institutions that fail to meet performance requirements. Under this law, registry in the Financial Institutions Guarantee Fund (FOGAFIN, FDIC-equivalent) became mandatory, broader reserve requirements were established, and the term allowed for the liquidation of financial institutions was extended from 6 to 18 months. Further constraints on foreign financial institutions are found in Decree 2951, dated September 13, 2004. This decree requires foreign institutions to establish a commercial presence if their promotions target Colombian residents. A banking relationship with a Colombian resident and a financial entity abroad is permitted if the relationship was initiated by the Colombian resident without any publicity or promotion in Colombian territory. The FTA currently under negotiation seeks to eliminate these restrictions.

Hydrocarbons: In an effort to increase transparency and spur exploration, the Colombian government spun off regulatory responsibilities from Ecopetrol, Colombia's state-owned oil company, and created the National Hydrocarbons Agency (ANH). The ANH now administers Colombia's competitive process, allowing Ecopetrol to compete side by side with foreign firms for subsequent hydrocarbon contracts. Under the new model, oil companies may assume up to 100 percent of investment and risk activities in all exploration and production contracts. Oil companies may also obtain the right to exploit such regions for 30 years or until field depletion, as well as extend previous association contracts. This system is based on providing new incentives to investors, who will benefit from higher returns on their investments. These measures have attracted significant foreign investment. The biggest catch during 2004 was ExxonMobil, which along with Petrobras, took advantage of the new business climate to undertake an ambitious project to explore 4.4 million hectares in Colombian Caribbean waters. Other big companies like ChevronTexaco and Occidental Petroleum have extended natural gas and oil contracts. The Harken Energy Corporation, Repsol-YPF of Spain, Hocol and several smaller companies have signed either exploration contracts or viability agreements that will likely lead to exploration. Under the new form of contracting, ANH had signed 39 exploration contracts during 2004 (only 20 were projected), continuing a trend from 2003, when 21 companies signed contracts.

Exploration targets for 2005 are to cover 3,400 kms of seismic, drill 25 exploratory wells, and discover 250 million barrels of new oil reserves. Ecopetrol's assigned budget for exploration amounted to $11 million in 2004. Ecopetrol's target for 2005 remains at 25 wells drilled. Current oil reserves amount to approximately 1.5 billion barrels and are expected to last until late 2008. For 2003, Colombian exported USD 3.38 billion worth of petroleum products, of which 81 percent or USD 2.76 billion went to the U.S.

Insurance: Colombia permits 100 percent foreign ownership of insurance firm subsidiaries. It does not, however, allow foreign insurance companies to establish local branch offices. Firms must have a commercial presence to sell policies other than those for international travel or reinsurance. In addition, Colombia denies market access to foreign marine insurers.

Legal: Provision of legal services is limited to those firms licensed under Colombian law. Foreign law firms are therefore prohibited from having an independent, commercial presence (i.e. a registered place of business, a branch, or an agent) in Colombia. By forming joint ventures with local law firms, foreign firms are able to operate in Colombia under the auspices of their local partners' licenses.

Telecommunications: Most restrictions to foreign participation in telecommunications services have been lifted and Colombia currently permits 100 percent foreign ownership of telecommunication providers. In the WTO negotiations, Colombia made fairly liberal commitments on basic telecommunications services and adopted the WTO reference paper. However, Colombia specifically prohibited "callback" services and excluded fixed and mobile satellite systems. The license or concession for the supply of telecommunications services is only granted to enterprises legally established in Colombia.

Significant barriers to entry include high license fees ($150 million for a long distance license fee), cross subsidies, commercial presence in Colombia and economic needs tests. The Telecommunications Regulatory Commission (CRT) may require an economic needs test for the approval of licenses in voice, facsimile, e-mail, and other value-added services. The parameters that determine "an economic needs test" are not clearly established in Colombia. CRT also maintains a system of crossed subsidies where, for example, long-distance telephony subsidizes local telephony. Low (subsidized) prices of local telephony and high restrictive costs in the provision of long-distance telephony limit the entry of new competitors. (Prices of international long-distance calls in Colombia are 35 percent higher than the average in developing countries, while prices of local calls are 25 percent lower than the average in developing countries).

Interconnection and trunk access policies and guidelines are not transparently formulated and applied by the regulatory authority, which further limits competition for the provision of local, long-distance and mobile services.

In 2003, Colombia opened the mobile telecommunications market to Personal Telecommunications Services (PCS) competition. The government issued a PCS license to new competitor Colombia Movil (Ola) effectively ending Colombia's mobile telecommunications duopoly and opening the door for competition (Bellsouth, now Telefonica, and Comcel share approximately 80 percent of the cellular market). The bidding winner received a 10-year concession to develop the market and compete against the current cellular providers. State-owned telephone companies, ETB and EPM own Colombia Movil.

The FTA negotiations, currently underway, seek to further liberalize this market.

Transportation: Article 1458 of the Commercial Code of 1971 prohibits any foreign ownership interest in commercial ships licensed in Colombia. Article 1490 of the Commercial Code restricts the percentage of FDI in maritime agencies to 30 percent, and Article 1426 restricts foreign ownership in national airline or shipping companies to 40 percent.

Trans-border transportation services are also restricted in Colombia. Land cargo transportation must be provided by natural or legal persons with commercial presence in the country and licensed by the Ministry of Transportation. Colombia's law permits international cabotage companies to provide cabotage services "only when there is no national capacity to provide the service." Cargo reserve requirements in transport have been eliminated. However, the Ministry of Foreign Trade reserves the right to impose restrictions on foreign vessels of those nations that impose reserve requirements on Colombian vessels.

Investment Screening: Investment screening has been largely eliminated, and the mechanisms that still exist are generally routine and non-discriminatory. Regulations grant national treatment to foreign direct investors and permit 100 percent foreign ownership in most sectors of the Colombian economy, with a few exceptions. Some sectors still require a concession agreement from the appropriate Colombian government entity. In any event, the Colombian Economic and Social Policy Council (CONPES) may identify sectors of economic activity in which the government may determine whether it will admit foreign capital participation.

Foreign investments must be registered with the Central Bank's foreign exchange office within three months of the transaction date to assure the right to repatriate profits and remittances and to access official foreign exchange. All foreign investors, like domestic investors, must obtain a license from the Superintendence of Companies and register with the local Chamber of Commerce. Generally, foreign investors may participate in privatization of state-owned enterprises without restrictions. Colombia imposes the same investment restrictions on foreign investors that it does on national investors. A commercial presence in the country (defined as a registered place of business, a branch, or an agent) is a standard requirement for conducting business in Colombia. Foreign investors can participate without discrimination in government-subsidized research programs. In fact, most Colombian government research has been done in connection with foreign institutions.

Other factors which may impact investment: On December 30, 1999, the Colombian government passed Law 145, which provides the government with the power of "economic intervention" in the operation of all companies (public, private, local, or foreign) permanently located in Colombia. This law promotes solutions along the lines of U.S.'s "Chapter 11" bailouts for companies with financial problems which face possible liquidation or bankruptcy. Restructuring agreements impose strict regulations on companies (e.g., financial operations unrelated to the company's activity may not be performed without previous authorization from all the parties involved in the transactions).

Andean Community CET: Andean Decision 291 established the Andean Common Regime for the Treatment of Foreign Investments in the Andean Community, while Decision 292 established a Uniform Regime for Andean Multinational Enterprises. These two decrees constitute part of Colombia's legal framework for FDI. The Andean Community (Colombia, Ecuador, Peru, Bolivia and Venezuela) has agreed to reach the highest phase of a common market (free flow of goods, services, capital and persons) by the year 2005. Success in this respect would mean a larger market, a more disciplined tariff administration, the elimination of tariff differences between member countries, greater economic and political credibility, larger negotiating power in the region, and stability in the medium-term. A customs integration process is essential towards that end. The Andean Community adopted a Common External Tariff through Commission Decision 370 of November 26, 1994. All the countries except Peru signed the Decision. The common external tariff (CET) has a four-tier structure, with 5, 10, 15 and 20 percent tariff levels, and a series of tariff deferral agreements that allow member countries to move away from the basic structure. Colombia's average official tariff for 2003 and 2004 was 12.5 percent ad-valorem. Most non-agricultural products and services (both locally produced and imported) are also subject to a 16 percent value added tax.

Colombia has adopted a harmonized automotive policy with Venezuela and Ecuador, which went into effect on January 1, 1994. Automotive parts and accessories, and motor vehicles imported from any of the three signatory countries have a zero import duty, while those imported from third countries are covered with CET rates of 35 percent for passenger vehicles, 15 percent for mass transit and cargo vehicles, and three percent for Completely Knocked Down (CKD) parts. The Andean auto regime of November 1999 provided for the common external tariff rates described above, and for regional content requirements included in the policy, which are to increase from the current average of 23 percent to a maximum of 34 percent by the year 2009.

On July 2, 1996, the Andean Community members adopted a common regime for access to genetic and biological resources, with the professed goal of promoting the conservation, development, and sustainable use of biological and genetic diversity.

Other Regional Trade Agreements: The Andean Trade Program (ATP), part of the Andean Trade Preferences and Drug Eradication Act (ATPDEA) retroactively renewed and built upon the expired Andean Trade Preferences Act (ATPA) to further open U.S. markets to Colombian products. Thus, on August 6, 2002, the United States extended expanded privileges to Colombia under the ATPDEA. Over the past decade, ATPA represented a significant economic benefit to the countries of the Andean region, and particularly to Colombia. It is estimated that over 123,000 jobs were created by ATPA in its first 10 years, and that 140,000 new jobs will be created by the expanded benefits extended by ATPDEA. As a result of the expanded benefits, two way trade between Colombia and the U.S. has increased almost $3 billion since 2002. Upon enactment, previously eligible products were once again duty-free. Duty-free access is based upon meeting a requirement that products must be substantially transformed into a product of a beneficiary country, must be imported into the United States directly from the beneficiary country, and must meet the value-added requirement of 35 percent, up to 15 percent of which may be accounted for by U.S. content in terms of cost or value.

Under the new ATPDEA, duty-free entry of approximately 6,500 product categories from Colombia into the U.S. is provided. Previously excluded products such as tuna fish, textiles and apparel now enjoy duty-free access to the U.S. market upon compliance with certain requirements. The President can expand the list of included products with advice from advisory committees and the U.S. International Trade Commission. Colombia exported $2.9 billion under ATPDEA in 2003, versus $416 million in 2002 (in 2002, exports under ATPDEA were significantly below the average for other years due to the 8-month transition period between expiration of ATPA in December 2001 and the extension of new benefits under ATPDEA in August 2002). Between January and September 2004, Colombia exported $2.9 billion under ATPDEA, a 37 percent increase with respect to the same period of the previous year. Total Colombian exports to the U.S. were $5.6 billion between January and September 2004. Thus, 52 percent of Colombian exports to the U.S. entered through ATPDEA in the first three quarters of 2004.

Apart from the Treaty of Cartagena, reflecting Colombia's membership in the Andean Community, Colombia's legal framework also includes Chapter XVII of the free trade agreement between Colombia, Mexico, and Venezuela, referred to as the G-3. Colombia has a Trade Complementarity Agreement with Chile under which 95 percent of bilateral trade has duty-free status. The Andean Community concluded and signed a free trade agreement with the member nations of Mercosur on 16 December 2003. Colombia is a member country of the World Trade Organization (WTO).

Other Latin American Integration Association (ALADI) partial agreements have been signed with Paraguay, Uruguay and the Central American Common Market (CACM) countries (Costa Rica, Guatemala, El Salvador, and Honduras) as well as with Panama, Cuba and CARICOM. Agreements negotiated with CARICOM have had limited effect and have not been fully implemented. Colombia has also negotiated five bilateral investment treaties: Cuba (1994), Great Britain (1994), Peru (1994), Spain (1995), and Chile (2000). The first four have not entered into effect because the Colombian Constitutional Court declared certain provisions in those agreements relating to expropriation unenforceable. Colombia plans to amend the agreements with Peru and Cuba, and is currently renegotiating a bilateral investment treaty with the UK. The bilateral investment treaty with Chile has not yet been presented to Congress for ratification. Colombia also has signed other bilateral agreements to stimulate trade and ensure most favored nation treatment with Hungary, the Czech Republic, Rumania, Russia, Malaysia, Indonesia, India, China, South Korea, Algeria, Kenya, Egypt, Morocco, Israel, and the Ivory Coast. Colombia has been an active participant in the Free Trade Area of the Americas (FTAA) negotiations. In May 2004, the United States began free trade negotiations with Colombia, Peru and Ecuador (Bolivia is participating only as an observer). After six rounds, negotiations continue to move forward with the hope of signing a free trade agreement in 2005.

Conversion and Transfer Policies Return to top

No restrictions apply to transferring funds associated with foreign investment. The only condition is that foreign investment into Colombia must be registered with the Central Bank within three months of the transaction date.

Foreign investors consider Colombia's conversion and transfer policies to be among the main incentives for investment. For example, the government permits full remittance of all net profits regardless of the type or amount of investment (previously limited to 100 percent of the registered capital). As well, there are no restrictions to remittance of revenues generated from 1) the sale or closure of a business, 2) a reduction of investment, or 3) transfer of a portfolio. However, as stated above, a recent presidential decision determined that repatriation of capital in portfolio investments may only be done after the investment has remained in Colombia for at least one year. This decision does not limit the remittance of profits from such investments, which can be done at any time.

Colombian law authorizes the government to restrict remittances in the event that international reserves fall below three months' worth of imports. Reserves uninterruptedly have been at least double that level for decades.

Expropriation and Compensation Return to top

In June 1999, both chambers of the Colombian Congress unanimously approved the repeal of the clause in Article 58 of the Constitution, which had theoretically provided for "expropriation without indemnification." Colombian law now guarantees indemnification in expropriation cases.

Dispute Settlement Return to top

Law 315 of 1996 authorizes the inclusion of an international binding arbitration clause in contracts between foreign investors and the GOC, while Decree 1818 of 1998 provides for alternative resolution of controversies. The law allows contracting parties to agree to submit disputes to international arbitration, provided that the parties are domiciled in different countries; the place of arbitration agreed by the parties is a country other than the one where they are domiciled; the subject matter of the arbitration involves the interests of more than one country, and the dispute has a direct impact on international trade. The law allows the parties to set their own arbitration terms including location, procedures, and the nationality of rules and arbiters.

In the absence of an international arbitration clause, Article 23 of Resolution 51 of 1991 mandates that the dispute be submitted to the judicial system for arbitration and enforcement of any arbitral award under Colombian law. Foreign investors find the arbitration process in Colombia complex and dilatory, especially with regard to enforcement of awards. Despite Colombia's commitment to international arbitral conventions and its domestic legal framework for arbitration and resolution of disputes, foreign companies have continued to endure lengthy dispute settlement processes. Consequently, there have been cases in which foreign investors have won arbitrations, only to have the losing party seek their annulment by the Council of State, a judicial body. The Council has ruled that until it decides on such requests, arbitration awards are not final, and do not need to be paid.

In 2004, U.S. companies filed four investment disputes, but the appearance of specific trends associated with these disputes is not present. Some of the more recent investment disputes include inconsistent and unclear decisions by the Superintendence of Industry and Commerce (SIC). Other disputes have been ongoing for the past few years and are tied up in court.

Colombia is a member of the New York Convention on Investment Disputes, the International Center for the Settlement of Investment Disputes (ICSID), and the Multilateral Investment Guarantee Agency (MIGA).

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Apart from export incentives relating to the operation of special or free zones, Colombian law and/or regulations do not currently impose specific TRIMs-regulated performance requirements.

Incentives: Based on Colombian notifications to the WTO, the WTO Committee on Subsidies has identified the following Colombian programs as export subsidies: (1) Plan Vallejo and (2) the CERT program. The Plan Vallejo provides for the duty-free entry of capital goods and materials to be used in production of export goods. In order to qualify for this tax exemption in the case of capital goods, the producer must show that at least 70 percent of the product produced by the newly acquired capital good is exported. In the case of raw or partially finished materials, the producer must export a value equal to 1.5 times that of the imported materials, as determined by Colombian government customs. In July 2002, the Government announced measures to improve the efficiency of “Plan Vallejo” by reducing “red-tape” procedures. Thus, exporters now receive tax reimbursements more expeditiously. In July 2004, the GOC proposed to eliminate the Plan Vallejo by December 31, 2006 in the hopes that a signed FTA between Colombia and the U.S. would be in place.

The tax-reimbursement certificate (CERT) is a form of tax incentive issued to Colombian exporters; has a two-year maturity, it is freely negotiable and can be sold in the secondary market. It can be used to pay taxes on income, customs duties and certain other indirect and direct taxes on exports. The CERT program is intended to promote non-traditional export products (coffee, petroleum, and petroleum by-products are specifically excluded). The amount of the CERT is calculated as a flat percentage of the value of goods exported, and varies by product and destination. Colombia’s tax rebate certificate program (CERT) contains a subsidy component, which the government of Colombia has stated it will soon replace with an equitable drawback system, although it has not yet done so. In accordance with Colombia’s commitment to phase out CERTs to comply with WTO requirements, CERTs’ face value rates were decreased in 2001. In late August 2002, the Colombian government announced an additional reduction of the CERT recognized to exporters to zero percent due to current fiscal difficulties. Although this means that the CERT has already been phased-out in practice, it has not been eliminated, and it could be increased in the future when Colombia’s budgetary conditions improve. It should be noted that CERT money is not available for exports to the U.S. or Andean Community countries, or for production originating in free trade zones.

Export credit: The foreign trade bank (BANCOLDEX) provides funds for working capital and equipment purchases dedicated to the production of exported goods.

BANCOLDEX also provides discount loan rates to foreign importers of Colombian goods.

Preferential Export/Import Policies: Preferential export/import policies exist, primarily in the agricultural sector. Colombia maintains minimum preference prices for basic agricultural commodities, which are supported by flexible tariffs on imports. This “price band” system, which is intended to protect domestic farmers from foreign competition, is a variable import duty system applied on agricultural products, based on an Andean Community board-determined ceiling, floor, and reference prices, adjusted to a CIF basis.

Import Licenses: Colombia has two types of import licenses. The most common is a standard import registration form known locally as “Registro de Importación”, which all importers must complete. These forms are for record keeping/statistical purposes and are available at the Ministry of Foreign Trade. The other license applies to closely monitored, sensitive products such as precursor chemicals and weaponry.

In certain sectors, Colombia imposes discretionary import licensing, which is used to ban imports of milk powder and poultry parts. Colombia removed the “absorption” requirements for all remaining agricultural products at the end of 2003, when the WTO waiver allowing them to link imports to local purchases expired. The Colombian Government replaced this system with tariff-rate quotas for rice, yellow corn, white corn, and cotton, with a requirement to purchase local production in order to import under the tariff-rate quota.

The majority of “used” goods, such as personal computers, cars, tires, and clothing, are effectively prohibited from import, and those that are allowed (e.g., used medical equipment), are subject to prior licensing. Though the government abolished most import licensing requirements in 1999, it has continued to use prior import licensing to restrict imports of certain agricultural products, such as chicken parts and other preserved chicken and turkey products.

Promotion: The parastatal PROEXPORT engages in a variety of marketing and promotional activities in support of Colombian exports. It provides information on market access and business opportunities as well as organizes international trade shows and missions. Over the last years, PROEXPORT has been making efforts to diversify Colombian exports, which have been traditionally concentrated in only a few products, namely coffee, petroleum, coal and flowers. PROEXPORT provides planning and training strategies for medium and small companies to overcome obstacles of exporting goods and services. PROEXPORT’s programs currently benefit 2,472 companies with less than 200 employees and with assets less than $2.6 million throughout the country. In 2004, PROEXPORT spent approximately $16.1 million in export promotion activities such as financing programs to increase the competitiveness of medium and small companies, and provision of export subsidies. For example, one of PROEXPORT’s programs subsidizes a fraction of transportation costs (which varies from 6 percent to 26 percent) for three years, for companies exporting into regions where direct transportation is unavailable. Fourteen PROEXPORT offices abroad and four commercial representatives provide information on access to 36 different countries. These offices attend and organize events, fairs, and provide commercial guides to enter foreign markets.

Taxes: The main types of tax incentives offered include preferential import tariffs, tax exemptions and credit or risk capital from the government. Some examples of the number of tax incentives in Colombia include deductibility of income from new investments in agricultural plantations dedicated to the cultivation of fruits, anchovies, rubber, and cacao; deductibility of income from new investments in environmental enhancements or control once such investments are accredited by the environmental authority; certain fiscal incentives related to investments deemed to generate new employment or production in areas impacted by recent natural disasters; a fiscal credit authorized under Law 633 of 2000 for salary and supplementary payments made to new employees; and exemption from income tax of income arising from the operations of public service enterprises (water, electricity, local telecommunications, and natural gas).

Incentives are often based on regional considerations. Border zones have been offered protection because currency movements in neighboring countries can severely harm local economies. Incentives have been made available for export-oriented companies and other industrial firms that have been hurt by the general reduction in tariffs. Local governments also offer special incentives, such as tax holidays, to attract industry. Incentives are normally awarded to any company that demonstrates its eligibility under the specific rules. Most applications are made directly to the agency involved. Tax incentives do not require special application; companies need only to qualify under the rules indicated in the process of filing a tax return.

Access to markets: In accordance with Andean Community Decision 291 of 1991, foreign investors now have the same access to Andean markets as domestic investors.

Performance Requirements: In December 2002, Colombia accepted the WTO Committee on Subsidies and Countervailing Measures' decision to phase out all export subsidies in free trade zones by December 31, 2006. However, free trade zones and special import-export zones will maintain their special customs and foreign exchange regimes.

Decision 291 of the Andean Community specifically permits performance requirements (not regulated by the GATT/WTO framework) for the licensing of technological / technical assistance, technical services and other technological contracts in accordance with the laws of the member countries.

Appropriate visas or other permits must be obtained for residents and for visitors conducting business over extended periods, but the Colombian Government does not impose unduly burdensome visa, residence or work permit requirements.

Non-Tariff Barriers

The provision of legal services is limited to law firms licensed under Colombian law. Foreign law firms can operate in Colombia only by forming a joint venture with a Colombian law firm and operating under the licenses of the Colombian lawyers in the firm. Colombia permits 100 percent foreign ownership of insurance firm subsidiaries. It does not, however, allow foreign insurance companies to establish local branch offices. Insurance companies must maintain a commercial presence in order to sell policies other than those for international travel or reinsurance. Colombia denies market access to foreign maritime insurers.

Economic needs tests are required when foreign providers of professional services operate temporarily in Colombia. Moreover, residency requirements restrict trans-border trade of certain professional services, such as accounting, bookkeeping, auditing, architecture, engineering, urban planning, and medical and dental services. For firms with more than ten employees, no more than ten percent of the general workforce and 20 percent of specialists may be foreign nationals.

A commercial presence is required to provide information processing services. Foreign educational institutions must have resident status in Colombia in order to receive operational authority from the Ministry of Education.

Standards, Testing, Labeling And Certification: The Colombian Ministry of Foreign Trade requires specific technical standards for a variety of products. The specifications are established by the Colombian Institute of Technical Standards (ICONTEC), a private non-profit organization, which provides quality certification and technical support services and serves as an Underwriters Laboratories (UL) inspection center. ICONTEC is a member of the International Standards Organization (ISO) and the International Electrotechnical Commission (IEC). In December 2001, the Ministry of Economic Development issued Resolutions 1190 through 1194, which eliminated mandatory compliance to technical standards on approximately 90 percent of the products previously subject to such requirements. Certificates of conformity are no longer a prerequisite for importing most products that are subject to technical standards.

According to U.S. industry, Colombian requirements for product registrations to bring new products into the market are excessive and often take as long as six to eight months to fulfill. Colombia maintains trade-restricting requirements for listing of ingredients by percentage on pet food. In some cases, unjustified SPS measures have been implemented to restrict U.S. exports. For example, Colombia has maintained restraints on U.S. exports of cattle and beef that are not based on risk assessments or otherwise comply with WTO SPS obligations. Since December of 2003, U.S. beef has been banned in Colombia on the basis of BSE (Bovine Spongiform Encephalopathy). However, this ban continues to be enforced without adequate scientific justification.

U.S. companies retailing nutritional supplements in Colombia continue to experience problems due to the lack of legislation that establishes clear parameters for sanitary registration. Colombia does not have a specific classification for nutritional supplements, causing nutritional supplements to be registered as nourishing products or medicines. In those categories, the products must meet certain requirements that nutritional supplements don't have.

Government Procurement: The Government Procurement and Contracting Law, Law 80/93 settled procedures for the selection of suppliers, mainly through public tenders. To sell to the GOC, foreign firms must register with the chamber of commerce and appoint a local representative to be considered as potential providers. Registration must be renewed annually and includes certification of experience, finances, technical expertise, and organization. Such statements serve to qualify and classify suppliers based on "bona fide" criteria. The registration requirements make the process particularly costly for foreign firms, who need to demonstrate a commercial presence in Colombia to participate in government procurement.

In July 2003, the Colombian government promulgated Law 816 to protect national industries in government procurement. Law 816 mandates that all public entities adopt criteria that support national industries and accords preferential treatment to bids that incorporate Colombian goods or services. Under Law 816, national companies are given a 10 percent to 20 percent "bonus" in their evaluation score, and companies using Colombian goods or services are given a 5 percent to 15 percent bonus. Bids without any Colombian component are scored between 5 percent and 20 percent lower than national ones. Additionally, Law 816 requires foreign suppliers without local headquarters in Colombia to obtain certification from a Colombian mission overseas that government procurement laws in the home country meet reciprocity requirements. To date, this new system, and specifically the lack of an established certification process, has proven to be a barrier against the participation of U.S. suppliers in government procurement contracts.

There have been complaints of non-transparency in the awarding of major government contracts. However, the Colombian government has taken positive steps to fight corruption, such as working with non-governmental organizations to launch probity programs aimed at promoting entrepreneurial and public ethics. Colombia is not a signatory of the WTO Agreement on Government Procurement.

The FTA currently under negotiation seeks to open up Government Procurement and secure national treatment for U.S. companies bidding on government contracts.

Labor: Labor laws require that, absent an exemption, at least 90 percent of a company's general work force and 80 percent of management be Colombian nationals. Local content requirements exist in the automotive assembly sector as outlined in decree 440 of March 1995 and Resolution 323 of November 1999 of the Cartagena Agreement, covering Colombia, Venezuela and Ecuador. As of June 2001, a minimum of 25.8 percent of local content (programmed to increase to 34 percent by 2009) is required for passenger vehicles carrying up to 16 persons, and cargo vehicles carrying up to 10,000 lbs., to meet national origin standards. For all other vehicles, the requirement is 17-18 percent. Penalties will be established to enforce compliance.

Audiovisual Services: As part of the de-monopolization of the government-owned television network, Colombia passed the Television Broadcast Law (Law 182/95, effective January 1995) which increased protection for all copyrighted programming by regulating satellite dishes and permitting private television broadcasters to compete with the government-owned broadcaster. The law increased restrictions on foreign content in broadcasting, and included a complicated, burdensome system of sub-quotas for different hours of the day; national television broadcasters must transmit at least 70 percent locally produced programming during prime time and 40 percent during other times. Regional channels and local stations must transmit at least 50 percent locally produced programming. Retransmissions of local production are calculated to fulfill only part of the national content requirement. Foreign talent may be used in locally produced programming, but the National Television Commission (CNTV) sets limits.

Investment Barriers: Colombian law provides for national treatment for foreign investment. One hundred percent foreign ownership is permitted in most sectors of the Colombian economy. Exceptions include activities related to national security and the disposal of hazardous waste. Investment screening has been largely eliminated, and the mechanisms that still exist are generally routine and non-discriminatory, (telecommunications, financial services, and oil and mining sectors do require sector specific procedures for foreign investors, such as authorization for investment registration, but there are no restrictions to the amount of foreign capital invested in these sectors).

Large U.S. companies note that rulings on anti-trust and competition issues by the Superintendence of Industry and Commerce (SIC) are non transparent and unpredictable. The rulings can be based on arbitrarily defended markets. The Commission also does not publish the information used to arrive at its decision. According to these companies, the rulings have negatively affected U.S. investment and potential sales of U.S. IPR (brand licensing and franchising) in Colombia on the order of USD 10-55 million. There is no evidence of specific discrimination against U.S. firms, however.

All foreign investment must be registered with the Central Bank's foreign exchange office within three months in order to ensure the right to repatriate profits and remittances. All foreign investors, like domestic investors, must obtain a license from the Superintendent of Companies and register with the local chamber of commerce.

Tariff Barriers

Colombia has opened its economy considerably since the early 1990's. Customs duties were cut and many non-tariff barriers eliminated. Most duties have been consolidated into four tariff levels: zero to five percent on capital goods, industrial goods and raw materials not produced in Colombia, ten percent on manufactured goods with some exemptions, and fifteen to twenty percent on consumer and "sensitive" goods.

Some important exemptions include automobiles, which remain at the level of 35 percent, and agricultural products, which fall under a variable "price-band" import duty system. The price-band system includes 14 product groups and covers 154 tariff lines, which results in duties approaching or exceeding 100 percent for important U.S. exports to Colombia, including corn, wheat, rice, soybeans, pork, poultry, cheeses, and powdered milk, and negatively affects U.S. access for products such as dry pet food, which is made from corn. When international prices surpass the price-band ceiling, tariffs are reduced; when prices drop below the price-band floor, tariffs are raised. The price-band has affected local competitiveness and has dampened consumption via higher local prices. The price-band system is very similar to the price-band system in Chile, which was found to violate WTO rules by a WTO panel. Andean Community variable duties have become an important barrier to imports of U.S. products into Colombia that are subject to these duties. The elimination or reduction of these variable duties is a top market access priority for the U.S. agricultural sector. Processed food imports from Chile and country members of the Andean Community (Peru, Ecuador, Bolivia, Venezuela) enter duty-free.

Colombia also assesses a discriminatory value-added tax (VAT) of 35 percent on whiskey aged for less than 12 years, which is more characteristic of U.S. whiskey, compared to a rate of 20 percent for whiskey aged for 12 or more years, most of which comes from Europe.

Right to Private Ownership and Establishment [Return to top]

The 1991 Colombian Constitution explicitly protects individual rights against the actions of the state and upholds the right to private property. Previously, a clause in Article 58 of the Constitution expressly allowed expropriation without compensation, but in June 1999 the Colombian Congress amended the Constitution to remove that clause (see Expropriation and Compensation below for more details).

Protection of Property Rights [Return to top]

Colombia has been on the Special 301 "Watch List" every year since 1991. Key concerns include lax customs enforcement and the inability to conclude legal cases against individuals arrested for trafficking or producing counterfeit goods. Colombia, which is a WTO member, has ratified its legislation to implement its obligations under the Uruguay Round Agreement on Trade-Related Aspects of Intellectual Property Rights. Colombia is a member of the World Intellectual Property Organization (WIPO), the Paris Convention for the Protection of Industrial Property, the Berne Convention for the Protection of Literary and Artistic Works, the Treaty on the International Registration of Audiovisual Works, and the 1978 Union for the Protection of New Plant Varieties, and a signatory to the Patent Cooperation Treaty. However, Colombia is also party to the Andean Community legal system, which at times creates difficulties for Colombia to enact tougher intellectual property legislation.

In Colombia, the grant, registration, and administration of intellectual property rights (industrial property and copyright) are carried out by four different government entities. Colombia lacks a unified IPR registration system. The Superintendence of Industry and Commerce (SIC) acts as the Colombian patent and trademark office. The agency suffers from a backlog of trademark and patent applications, but plans to provide electronic registration services for patents, industrial designs and trademarks. The Colombian Agricultural Institute (ICA) is in charge of the issuance of plant variety protection-related and agro-chemical patents. The Ministry of Social Protection is in charge of the issuance of pharmaceutical patents, while the Ministry of Justice is in charge of the issuance of literary copyrights.

Each of these entities suffers from significant financial and technical resource constraints. Moreover, the lack of uniformity and consistency in IPR registration and oversight procedures limits the transparency and predictability of the IPR enforcement regime.

The FTA under negotiation seeks to strengthen and modernize Colombia's IP regime. Key areas are increased enforcement, stronger patent and data protection, and more modern trademark and copyright regimes.

Patents and Trademarks:

The patent regime in Colombia currently provides for 20-year protection for patents, a ten-year term for industrial designs and reverses the burden of proof in cases of alleged process patent infringement. Provisions covering protection of trade secrets and new plant varieties have improved Colombia's compliance with its TRIPS obligations. However, Colombia does not issue "second use" patents under Article 21 of Decision 486.

In 2002, the Colombian government issued Decree 2085, which improved the protection of confidential data. Until 2002, Government of Colombia health authorities approved the commercialization of new drugs that were the bio-equivalents of already-approved drugs, thereby denying the originator companies the exclusive use of their data. However, Decree 2085 prohibited this practice, thus providing improved protection for industrial information. Under the decree, data presented for health certification of pharmaceuticals is protected for a period of three years for registrations issued in 2002, four years in 2003, and five years in 2004 and beyond. In March 2003, the Agricultural Ministry promulgated Decree 502 that provides similar protection for agricultural chemicals. However, the subsequent passage of Law 822 on July 10, 2003 established additional norms in relation to the registration, control and sale of generic agro-chemicals, which, along with the related Resolution 770 of March 27, 2003 appear to significantly weaken the data secrecy protections, established by Decree 502.

Counterfeit pharmaceutical products continue to be a major problem in Colombia. Recent surveys, such as the CRECER project, reveal that in rural areas there are more counterfeit pharmaceutical products than original products. Ten percent of these counterfeit products are identical to the original product while 60 percent do not contain any active ingredient and 30 percent contain the wrong active ingredient or the wrong dosage.

Colombia is a member of the Inter-American Convention for Trademark and Commercial Protection. Enforcement of trademark legislation in Colombia is showing some progress, but contraband and counterfeiting are widespread. The Superintendence of Industry and Commerce acts as the local patent and trademark office in Colombia. This agency was given the control of the government's IPR policy, effective January 2000. However, the agency suffers from inadequate financing and personnel, a high turnover rate, and a large backlog of trademark and patent applications, which has led to a large number of appeals.

Copyrights:

Andean Community Decision 351 on the protection of copyrights has been in effect in Colombia since January 1, 1994. Colombia also has a modern copyright law: Law 44 of 1993. The law extends protection for computer software to 50 years but does not classify it as a literary work. Law 44 and Colombia's civil code include some provisions for IPR enforcement and have been used to combat infringement and protect rights. Colombia is a member of the Berne and Universal Copyright Conventions, the Buenos Aires and Washington Conventions, the Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations, the Geneva Convention for Phonograms, the WIPO Copyright Treaty, and the WIPO Performances and Phonograms Treaty. It is not a member of the Brussels Convention relating to the Distribution of Programme-Carrying Signals Transmitted by Satellite.

Colombia's Criminal Code of 2001 includes copyright infringement as a crime, and significantly increased jail terms from three to five years. The code also contains provisions regarding the violation of technological protection measures and rights management information, both key obligations of the WIPO treaty. Colombia has also created a Special Investigative Unit within the Prosecutor General's Office dedicated to intellectual property rights issues. This unit began functioning in November 1999 and is currently working on a number of cases against pirate television programming broadcasters.

The International Intellectual Property Alliance estimates that in 2003 piracy levels in Colombia for recorded music reached 70 percent with damage to U.S. industry estimated at about $50 million, while motion picture piracy represented 75 percent of the market, valued at a loss of an estimated $40 million. Piracy in both business software and book publishing continued to grow in 2004. Although the Colombian police have conducted raids, the judicial process is slow and cumbersome and fails to incarcerate plagiarizers.

The Motion Picture Association of America (MPAA), in conjunction with local attorneys, took 17 criminal actions against alleged television pirates in 2000, 16 such cases in 2001, and eight in 2002. However, MPAA's anti-piracy strategy relied on enforcement by the Colombian National Television Commission (CNTV), which largely failed in its efforts. Given the CNTV's poor results in suppressing piracy, MPAA has ceased initiating action against television broadcast or home video piracy. Colombia's Television Broadcast Law increased legal protection for all copyrighted programming by regulating satellite dishes, and enforcement has begun through a licensing process. However, an MPAA estimate suggests that 90 percent of the motion picture market in Colombia is pirated, while annual losses due to audiovisual piracy remained at $40 million in 2002. However, in 2004 CNTV launched an aggressive anti-piracy campaign and signed its first cooperation agreement with FOX Sports to combat piracy in the television market.

Transparency of Regulatory System Return to top

The judiciary consists of the district superior, circuit, municipal, and lower courts, which all fall under the Supreme Court, and the Council of State, which supervises a system of administrative courts that scrutinize acts and decrees issued by executive and decentralized agencies. The executive branch exercises some control over the judicial process through the Ministry of Justice and the Council of State. The Ministry of Justice is responsible for administering aspects of the legal and judicial system, such as the actual operation of the courts and penal system. The Supreme Court is organized into four chambers dealing with civil, criminal, and labor appeals and with constitutional procedure. The Council of State has two functions. First, it acts as an advisory board to the president by drafting bills and codes concerned with administration and even by proposing legislative reforms in this area. Second, it acts as the supreme administrative tribunal, presiding over a hierarchy of courts that hears complaints against the government and public officials. With its power of judicial review over the constitutionality of administrative codes, decrees, and legislation, the Council of State is given equal rank with the Supreme Court in the judicial structure. The country is divided into judicial districts, each of which has a superior court of three or more judges. District superior courts supervise the lower municipal, circuit, juvenile, and specialized courts. The lower courts are distributed on a departmental basis. At the lower levels, the court system still tends to be overburdened and slow and juries are used infrequently.

Colombia's civil codes define commercial entities' legal rights and outline enforcement procedures regarding commercial activities. Enforcement mechanisms exist, but historically the judicial system has not taken an active role in adjudicating commercial cases. The 1991 Constitution provided the judiciary with greater administrative and financial independence from the executive branch, and Colombian courts have tended to behave more independently and unpredictably ever since. The Colombian judicial system continues to be clogged and cumbersome.

In general, Colombian legal, regulatory and accounting systems are transparent and consistent with international norms. Proposed bills are published in draft form for public comment at Congressional debates. As is the case with many developing countries, Colombia suffers from a relatively high level of industrial concentration in a few large conglomerates, poor antitrust laws, a lack of long-term credit offerings, and underdeveloped stock markets not yet able to generate growth through equity financing.

Colombia's government procurement Law 80 and Law 816, give Colombian bidders preferential treatment, mandating that public entities adopt criteria that support national industries. Given equal contracting conditions, the offer of goods and services of domestic origin is preferred. When foreign firms bid under equal conditions, contracts are generally awarded to the one that incorporates a greater number of domestic workers, more domestic content, and better conditions for technology transfer. The Colombian government procurement statute, although liberal, has proven to be a barrier against the participation of U.S. suppliers in government procurement contracts. A debate to reform the government procurement statute has been postponed several times in the Colombian Congress, and remains pending for the next legislature ending in June 2005.

Efficient Capital Markets and Portfolio Investment

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Colombia began liberalizing financial services in 1991. The reform eliminated entrance restrictions in different financial markets and limits to foreign investment, while allowed for greater mobility of international capital. In 1994, Colombia moved to a financial system that allows financial holding companies to provide different types of financial services instead of a universal banking model, which satisfies Colombia's risk-averse appetite. Colombia continues to require a commercial presence for all financial institutions, via subsidiaries, in a move to maintain control of international foreign exchange transactions.

Liberalization also extended to insurance services, trust services, brokerage services, investment banking, as well as the management of foreign investment funds, and pension funds. However, cross border services are limited in all areas, especially regarding insurance services, and limit purchases of these services abroad.

Regarding international trading of securities, current legislation requires that international providers of such services have commercial presence in the country through subsidiary offices. The same applies for stock exchanges and exchanges of agricultural products. International stock brokerage subsidiaries must obtain operating license from the Superintendence of Securities.

Since the opening of the Colombian financial sector, government policies have facilitated the free flow of financial resources. A serious recession during 1999-2000, due to a severe “credit crunch”, caused the government to create a tax on financial transactions, but also led to law 510, which gave the Banking Superintendence improved control mechanisms. In spite of these improvements, the Colombian capital markets remain largely underdeveloped. The system remains impaired to adequately exploit economies of scale via a universal banking system.

One of the key weaknesses of the system is its inability to adequately address venture capital needs and tap into potential resources, such as private pension plans, for such investments.

Banking and Finance: The health of the banking system has improved markedly since the 1998-99 crisis and profitability has risen with the economic rebound. As of November 2004, past-due loans had fallen to 5.9% of the total, compared with 7.5% in 2003, and banks' return on equity rose to 19% at end-2004. Provisioning for past-due loans has increased and is above the regional average. Colombian banks' improved management of market and credit risk will ensure that an expansion of loan books is not accompanied by a deterioration in loan quality. As of November 2004, the Colombian financial system had registered profits of approximately $1 billion, 52 percent higher than the profits registered between January and November 2003.

Related Party Transactions: Decree 663 stipulates that the financial institution’s board of directors must unanimously approve loans to a financial institution’s principal officers, their relatives or shareholders with a five percent or greater stake. Loans to related parties (except those made to employees as part of health, housing, education, or similar programs) must not be offered at terms more attractive than those offered to non-related parties. Financial institutions are prohibited from making loans to broker-dealer, fiduciary, and pension fund management subsidiaries.

Stocks and Bonds: The Colombian securities market is small but has enjoyed high growth in recent years. Only the largest of Colombia's companies participate in the local stock or bond markets, with the majority meeting their financing needs through the banking system, by reinvesting their profits and through suppliers' credit. Problems on the demand side include Colombia's low savings rate and virtually non-existent share culture. Institutional investors, particularly the private pension funds that mobilize the largest share of national savings (accounting for 9% of GDP), concentrate their holdings in government paper and AAA-rated commercial paper, a rating given to only a handful of companies. The capital-markets law aims to strengthen investor protection, improve supervision and regulation of trading companies and develop the necessary market infrastructure. The government also envisages revising the regulation of private pension funds to allow them to participate more actively in the capital markets. The Superintendence of Securities oversees the exchange, regulating market intermediaries, broker’s fees, and the financial disclosure of listed companies.

Over the last few years, the securities market has traded fewer stocks and more bonds and fixed income securities. In 2003, Colombia’s Stock Exchange registered marked dynamism, mainly due to positive balances of companies, economic recovery and the appreciation of the Colombian peso. During 2004, the Stock Market Index (IGBC) increased 80 percent closing at 4,292.3 by December 27, 2004. Market capitalization increased 17 percent between January and August 2004, closing at $18.5 billion.

Ownership Limitations: Previous legislation, which prohibited foreign investment funds from acquiring more than ten percent of the outstanding voting shares of any Colombian company, was revoked by Decree 2080 of October 18, 2000. The Decree lifted restrictions to foreign investment in publicly traded companies, allowing automatic authorization for foreign investment funds. Private firms do not use "cross-shareholding" and "stable shareholder" agreements to restrict foreign investment through mergers and acquisitions. Likewise, private firms are not authorized to adopt articles of incorporation/association that limit or prohibit foreign investment, participation, or control.

Political Violence Return to top

The U.S. Secretary of State has designated three Colombian groups, the Revolutionary Armed Forces of Colombia (FARC), the National Liberation Army (ELN), and the United Self-Defense Forces of Colombia (AUC), as Foreign Terrorist Organizations. These groups have carried out bombings and other attacks in and around major urban areas, including against civilian targets. A bombing at an exclusive social club in Bogotá on February 7, 2003, left 36 dead and 160 injured. On November 15, 2003, the FARC conducted grenade attacks against restaurants in an upscale entertainment area in Bogotá; the attack left one person dead and injured 73, including four U.S. citizens. In addition, the United States designated the FARC and the AUC as significant foreign narcotics traffickers under the Kingpin Act. Terrorist groups have also targeted critical infrastructure (water, oil, gas, electricity), public recreational areas, and modes of transportation.

Due to considerable effort on the part of the Colombian government to improve security throughout the country, homicide numbers declined by 20 percent from 2002 to 2003 and an additional 12 percent from 2003 to 2004, to a countrywide figure of about 20,200, which is the lowest number in 18 years. While narcotics and guerrilla-related violence account for part of this violence, common criminals are responsible for an estimated 75 percent of the reported murders. Additionally, the Government of Colombia reports a 50 percent decline in the number of kidnappings in the past four years. Although Colombia continues to have one of the highest rates of kidnapping for ransom in the world, kidnappings decreased by 42 percent from 2003, with 1250 kidnappings in 2004 - the lowest number in 10 years.

Although crime and terrorism levels continue at relatively high levels, strenuous efforts to improve security have brought those levels down significantly.

Labor leaders continued to be targets of attacks by illegal armed groups, primarily for political reasons. According to the ENS, Colombia's National Labor College, 4 union members were kidnapped, 2 disappeared, 367 were threatened with death, 4 survived attempts on their lives, and 60 were killed as of November 20, 2004**.**

Corruption [Return to top]

According to Confecamaras (Colombian Confederation Chambers of Commerce) estimates of income lost to corruption in Colombia vary between $2.5 and $5 million annually. Other sources, such as the World Bank, have estimated the cost of corruption in government procurement in Colombia at $480 million annually. Analysts believe that a black market of illegal commissions governs incentives to business transactions. To fight this problem, the Government of Colombia, the World Bank, and 31 other public and non-governmental institutions in Colombia formed an anticorruption alliance in 2001. The alliance examines the lack of governance due to corruption in order to design appropriate policies towards its eradication. Since 1999, Confecamaras has launched probity programs aimed at promoting entrepreneurial and public ethics through corporate centers in Colombia's main cities. In 2003, the GOC launched the "Colombia Online" program, which focuses on transparency, efficiency, and clarity in procurement practices. Use of the Internet has also helped to create more transparency by making public the terms of reference of bidding processes and eliminating onerous registration costs.

Bilateral Investment Agreements [Return to top]

The objectives of a Bilateral Investment Treaty (BIT) are to protect U.S. investments abroad, to encourage adoption of market-oriented domestic policies in the foreign country, and to support the development of international legal standards consistent with these objectives. BITs provide investors with six basic benefits: 1) the better of national or most-favored nation treatment; 2) limits on expropriation of investments, including requirement for prompt, adequate and effective compensation; 3) free and timely repatriation of profits; 4) the prohibition of performance requirements; 5) the right to submit an investment dispute with the treaty partner's government to international arbitration; and 6) the right to employ top managerial personnel regardless of nationality.

Colombia has negotiated five bilateral investment treaties: Cuba (1994), Great Britain (1994), Peru (1994), Spain (1995), and Chile (2000). The first four not entered into effect because the Colombian Constitutional Court declared certain provisions relating to expropriation as unenforceable. Colombia plans to amend the agreements with Peru and Cuba, and is currently renegotiating a bilateral investment treaty with the UK. The bilateral investment treaty with Chile has not yet been presented to Congress for ratification. Colombia has also signed other bilateral agreements to stimulate trade and ensure most favored nation treatment with Hungary, the Czech Republic, Rumania, Russia, Malaysia, Indonesia, India, China, South Korea, Algeria, Kenya, Egypt, Morocco, Israel, and the Ivory Coast

A key aspect of the FTA under negotiation is the inclusion of all the obligations of a BIT in the Investment chapter.

OPIC and Other Investment Insurance Programs [Return to top]

The Overseas Private Investment Corporation (OPIC) is a self-sustaining federal agency that sells investment services to U.S. businesses expanding into some 150 developing nations and emerging markets around the world. OPIC's political risk insurance, project finance and investment funds fill a commercial void, create a level playing field for U.S. businesses and support development in emerging economies. Colombia is the second highest-ranking country in OPIC's portfolio for insurance against political violence. OPIC is currently committing approximately $618 million of insurance for U.S. investment in the country against political violence. Political violence coverage compensates for property and income losses caused by violence undertaken for political purposes. Declared or undeclared war, hostile actions by national or international forces, civil war, revolution, insurrection and civil strife, are all examples of political violence covered by OPIC. OPIC pays compensation for two types of losses: business income losses and damage to tangible property. An investor may purchase one or both types of coverage.

In Colombia, OPIC maintains a portfolio of $1.7 billion. Over 3,137 jobs and almost $1 billion in government revenue are expected to result from current OPIC-supported projects. Examples of the type and scale of investment projects handled by OPIC in Colombia include construction of power plants, natural gas pipelines, and gold mining operations. OPIC joined Chase Manhattan Bank and other lending institutions to support K & M Engineering and Consulting Corporation in the Mamonal project (now owned by KMR Power Corporation), a natural gas-fired generation facility being built in Cartagena. This project is supported with $35 million in OPIC financing and over $56 million in political risk insurance. Other examples of projects currently supported are two Citibank projects on financial and telecommunication services with over $67.4 million in insurance, a Chase Manhattan Bank telecommunications project with $200 million in insurance, one Energy Initiatives Inc. gas-fired power generation project with $150 million, and another gas-fired power generation project by Los Amigos Leasing Company, Ltd. with $200 million. In September 2002, OPIC's board approved a $200 million loan guaranty for Citibank to establish a lending facility for Latin America, with initial focus on Colombia, Bolivia, Ecuador, Paraguay, Peru and Uruguay. In June 2003, OPIC provided a $2.2 million loan to Etek International Corporation for the establishment of security network management and monitoring infrastructure in Colombian and other Latin American countries (Argentina, Brazil, and Chile).

Labor Return to top

A labor reform in 2002 focused on making labor laws more flexible by reducing the cost of layoffs, inserting flexibility into the scheduling of the workweek, lengthening the number of hours covered under daytime wage regimes and reducing Sunday labor rates. The reform was expected to generate 300,000 jobs, but recent studies suggest upwards of 600,000 new jobs resulted. In December 2004, the Congress raised the minimum wage to match the inflation rate as required under the Constitution. The minimum monthly salary in Colombia is now $155, which has not substantially changed in real terms in several years.

The unemployment rate for the 13 main cities in Colombia decreased slightly during 2004, closing at 11.5 percent by year-end, as compared to 14.7 percent in December 2003. Overall unemployment for 2004 is expected to be 12.4 percent, which decreased from 14.2 percent in 2003. During 2004, the government paid 10,500 unemployment claims, down from 13,005 paid in 2003. Some 43.4 percent of the unemployed were covered under the claims.

President Uribe's reforms as well as the Public Administration Renewal Program are reducing jobs in the public sector. In 2003, the government eliminated 8,463 positions as a cost-cutting measure. This program hopes to eliminate 40,000 jobs from the public rolls by 2006. Hit hardest appear to be the education sector and several organizations such as the Colombian National Mining Company (currently in liquidation) and the history-oriented Jorge E. Gaitan Institute.

The Constitution provides for the right to organize unions, except for members of the armed forces, police, and persons executing "essential public services" as defined by law. The Labor Code provides for automatic recognition of unions that obtain 25 signatures from potential members and comply with a simple registration process. Union membership in absolute terms and as a percentage of the labor force is declining.

The key issue in labor is the high level of violence directed against labor leaders. While the number of murdered labor leaders has dropped from 182 in 2002 to 60 in 2004 (end of November) as a result of Colombian government initiatives to protect labor leaders, violence against labor leaders remains a key area of concern.

Foreign-Trade Zones/Free Ports

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The Colombian government operates a number of drawback and duty deferral programs in which it provides incentives for importers of capital goods, and exporters. The "free trade zones" and "special import-export systems" are two of such programs, which provide for the duty free entry of capital goods and materials to be used in production of export goods. The Colombian government regards duty-free zones as poles of industrial, commercial, tourist and technological development, focused largely on overseas markets. There are currently 12 duty-free zones in Colombia, where over 350 companies operate, generating exports of approximately $1.5 billion annually. As of December 2004, duty-free zones had generated a total of 20,500 new jobs. The state does not participate in the operation of duty-free zones, but there are tariffs established for duty-free zone operations. Most companies operating in duty-free zones manage operations with large-scale production and a high degree of labor specialization.

Foreign capital investment in duty-free zones is entitled to unrestricted repatriation of capital and profits. Users are not required to surrender proceeds from the sale of goods and services on the official exchange market, and are also exempt from income, withholding and remittance taxes related to foreign sales. Goods traded within duty-free zones are considered outside of Colombian territory for import-export tariff purposes. Shipment to foreign markets of goods manufactured or stored in a duty-free zone, need only authorization from the operator of the zone. However, although Colombia has made commitments to abide by the provisions of the GATT Subsidies Code by phasing out any export subsidies inconsistent with that code, Colombia's special import-export system for machinery and its free trade zones constitute export subsidies. Thus, the Uribe administration plans to eliminate the benefit of exempting users of free trade zones from income and remittance taxes. Although the government agreed to issue by mid-

2003 a decree to eliminate the mentioned benefits beginning January 2007, it has not yet done so. In order to maintain the attractiveness of free trade zones as export promoters, users of free trade zones will continue to benefit from exemptions from tariffs and the value-added tax. Foreign currency exchange will remain unrestricted, and additional benefits for commitments to comply with environmental and technologic standards are being studied.

Foreign Direct Investment Statistics

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The Colombian government operates a number of drawback and duty deferral programs in which it provides incentives for importers of capital goods, and exporters. The “free trade zones” and “special import-export systems” are two of such programs, which provide for the duty free entry of capital goods and materials to be used in production of export goods. The Colombian government regards duty-free zones as poles of industrial, commercial, tourist and technological development, focused largely on overseas markets. There are currently 12 duty-free zones in Colombia, where over 350 companies operate, generating exports of approximately $1.5 billion annually. As of December 2004, duty-free zones had generated a total of 20,500 new jobs. The state does not participate in the operation of duty-free zones, but there are tariffs established for duty-free zone operations. Most companies operating in duty-free zones manage operations with large-scale production and a high degree of labor specialization.

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Web Resources

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Andean Development Corp. (CAF) : www.caf.com & www.comunidadandina.org
ANDI (National Industries Association): www.andi.com.co
ANIF (Financial Entities Association): www.anif.org

Banco de la Republica (Central Bank): www.banrep.gov.co
Banking Association: www.asobancaria.com
Banking Superintendent: www.superbancaria.gov.co
Bogotá Chamber of Commerce: www.ccb.org.co
Coinvertir (Foreign Investment Promoter): www.coinvertir.org
Colombian Customs and Income Tax Offices: www.dian.gov.co
Colombian Government : www.gobiernoenlinea.gov.co
CREG (Energy and Gas Regulatory Commission): www.creg.gov.co
DANE (Statistics Bureau) : www.dane.gov.co
EXIMBANK : www.exim.gov
FENALCO (Merchants Association): www.fenalco.com.co
Inter American Development Bank: www.iadb.org
National Planning Department: www.dnp.gov.co
OPIC: www.opic.gov
Presidencia de la Republica and/or Palacio de Nariño (President's Office): www.sne.gov.co and www.presidencia.gov.co
State Comptroller's: www.contraloriagen.gov.co
State Contracting Information System/SICE: www.sice.gov.co
Superintendent of Corporations: www.supersociedades.gov.co
Superintendent of Industry and Commerce: www.sic.gov.co
World Bank: www.worldbank.org

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Chapter 7: Trade and Project Financing

How Do I Get Paid (Methods of Payment)

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Most products are imported through letters of credit or time drafts. Soft and long-term financing is an important sales tool, especially for government imports or public tenders. Foreign suppliers, financial intermediaries in Colombia, or foreign financial institutions, may finance Colombian Imports.

Colombian importers may freely negotiate payment terms with their suppliers, but importers must list the agreed payment terms on the import documents and may not subsequently change them. These are generally between one and six months for imported products for immediate consumption, including raw materials, intermediate goods, and consumer goods, with almost no term limitations for capital goods, which are payable within the timetables set on the import documentation, plus a grace period of three additional months. Foreign payments may be authorized in installments, but in no case can the original terms listed on the import documents be changed. The continuous changes in monetary measures may limit amounts, advance deposits, and payback timetables for direct external loans.

General trade finance is freely available and letters of credit are widely used in Colombia. Methods, terms, and conditions of payment vary with the type of credit. Most imports of equipment are paid via irrevocable 180-day letter of credit (L/C), payable on sight against shipping documents. The L/C replaces the exporters' credit risks with that of the issuing bank.

Normal payment term is 60 days. There are transactional cases in which suppliers may extend terms to 120 days by time draft, but this is not common practice. When a satisfactory trading relationship has been established, terms are those generally applied in international trade. Short-term is considered any term less than one year; medium-term is from one to three years; and, long-term ranges from five years up to twenty years or more.

How Does the Banking System Operate

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The Colombian financial system is relatively large in comparison with the nation's gross domestic product. It has many highly sophisticated institutions with state-of-the-art technology. However, financial services are still very costly and intermediation remains, by far, the most important financial activity.

In the process toward becoming a multi-banking system, the Colombian financial sector has been evolving from specialization to a scheme of subsidiaries. From 1993-1997, the system registered a credit boom despite the fact that a deviant speculative bubble was in evolution. This resulted in the financial crisis of 1998-2000. New reforms, which have fostered the conversion of mortgage banks into commercial banks, have been implemented to cope with this crisis. About one-third of banking and non-banking institutions have been closed, taken over or forced to merge. Many of the weaker financial institutions are now affiliated with more experienced and financially sound owners. The presence of foreign banks has intensified competition, and government authorities have made significant efforts to improve the health of the financial sector.

Still, experts consider that the Colombian financial system has neither reached its ideal size, nor attained the multi-banking scheme. Further downsizing and operational cost reductions in the coming years are needed. Recent capitalization returned stability to the sector.

The Colombian financial sector has become stronger over the last three years. With a few exceptions, financial entities experienced a remarkable recovery. Several factors played a key role: restored economic growth and stability creating a corresponding need for credit and investment; low interest rates, a decline in non-performing loans and an increase in provisions. Privatization of public-owned financial institutions continues to be an issue.

The financial industry is benefiting from the transfer of technology and increased efficiency brought by foreign investors. Although access to financial services has improved, especially with virtual banking, Colombia is far from reaching the standards of developed countries. Though all Colombian banks have web pages, only 6.6 percent of the Colombian population has access to this technology. Almost all financial entities have plans to expand the coverage of their e-banking products/services, including monetary transactions. The outlook for sophisticated financial services is very positive. Over 2,400 ATM networks have been installed by the financial sector countrywide. The sector's goal is to expand its financial services in order to make the market more efficient and competitive.

Commercial Banks perform the broadest scope of financial services. They are allowed to complete all authorized credit operations, with the exception of leasing operations and real sector investments. Only commercial banks provide checking accounts. Within this group, some institutions specialize in housing and other in real estate construction financing (mortgage banks). Commercial banks dominate the financial market, accounting for over 80 percent of the financial system's assets.

The inherent financial activities in Colombia are provided by the following institutions under the direct supervision of the Banking Superintendent: 28 commercial/mortgage banks of which 25 are privately-owned and three state-owned; five financial corporations, 27 commercial finance companies including leasing companies and six pensions and severance fund managers.

Foreign-Exchange Controls

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Colombia imposes no foreign exchange controls on trade. However, exchange regulations require that the following transactions be channeled through intermediaries (i.e. banks or other recognized financial institutions) authorized for such purposes:

- Imports and exports of goods;
- External loans and related financing costs;
- Investment of capital from abroad and remittances of profits thereon;
- Investment of Colombian capital abroad, as well as remittances of yields;
- Investment in foreign securities and assets and their associated profits;
- Endorsements and guarantees in foreign currency; and
- Derivative or secondary financial operations, e.g. forwards, swaps, caps, floors or collars.

The requirement of registering with the Central Bank all foreign exchange loans obtained in Colombia has been eliminated (Resolution 5 of 1997). Further, External Resolution No. 6 of 2000 abolished prior deposit requirements with the Central Bank for public and private external loans as well as for foreign financing of imports into Colombia. Also, Resolution 11 allowed residents to make payments to other residents in US dollars through checking accounts held abroad. Resolution 8 authorized stock brokerage firms to act as intermediaries in the foreign exchange market.

U.S. Banks and Local Correspondent Banks

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Virtually all-Colombian banks have correspondent banks in the United States. The following are some major Colombian and U.S. banks with correspondent relationships:

Banco Cafetero:
Atlantic Bank of Miami
Banco Cafetero Intl. Corp. Miami
Barclays Bank of Miami
JP Morgan Chase, New York
Dutch Bankers Trust, New York
Citibank, New York
Wachovia Bank of Philadelphia, Miami
Standard Chartered Bank of New York
Bank of New York, New York
Bank of America, Miami

ABN Amro Bank, New York:
Banco de Bogota
American Express
Banco de Bogota, Miami
Banco de Bogota, New York
Bank of America, San Francisco
Bank of New York

Bank One of Miami
JP Morgan Chase, New York
Citibank, New York
Commerce Bank of Miami
Barclays Bank of Miami
Union Bank of California
Bank of Montreal of New York

BanColombia:
JP Morgan Chase, New York
Citibank of New York
American Express
Bank of New York
Wachovia Bank of Philadelphia, New York
Standard Chartered of New York
Barclays Bank of New York
Bank of America
Banco Ganadero
ABN Amro Bank of Miami
Banco Ganadero of Miami
Dutch Bankers Trust, New York
Citibank, New York
First Union National Bank of New York
Standard Chartered, Miami

Banco de Occidente:
Nations Bank of Florida
Citibank, New York
Chemical Bank, New York

Banco Popular:
Bank of America, San Francisco
Bank of Boston, Miami
Union Bank of California
Dressner Bank of New York
Commerce Bank of New York
Bayerische Hypound-Vereins Bank of New York
Citibank, New York
Standard Chartered of Miami

Project Financing Return to top

The Government and the Central Bank (Banco de la Republica/BOR) are important sources of funding for the financial system. The Central Bank, in addition to providing the usual discount facilities to support system liquidity, manages several special government funds to promote lending into a number of sectors that have been determined to be important to development or economically essential.

The funding resources come from government capital, bonds (a portion of which the financial institutions are required to buy and, to that extent, may be funding themselves) and current fiscal appropriations, if needed to cover deficits. Accessibility to the funds tends to require considerable paperwork; applicants must qualify, and margins are limited. Their importance as funding resources has been diminishing rapidly, however, and their impact currently is probably less than two percent of total banking resources. The decline in usage is due to the relatively unattractive margins involved and the rapid increase in bank liquidity over the last two years.

Non-traditional project financing schemes such as supplier credits are readily available from foreign suppliers. Leasing, domestic and international (both operating and capital) financing are becoming popular, mainly because of the tax benefit it provides. Factoring is also available as well as international credit insurance. Transactional financing is more associated to consumer goods trade, while equity-based financing is more commonly used for project financing.

Colombian exporters have access to credit offered by the Colombian Foreign Trade Bank (Banco de Comercio Exterior/BANCOLDEX). This credit is also being extended to Colombian importers--namely for industrial imports.

Foreign investors have full access to local credit. While the Colombian Government still directs credit to some areas (notably agriculture), credit is, for the most part, allocated by the private financial market.

Loans of foreign origin or foreign financing of imports are permitted. The Central Bank may also establish some conditions, i.e., interest rates, end-uses, quantity limits, terms and other pertinent conditions to avoid undue pressures on inconveniences to the Colombian exchange market.

EXIM: The Export-Import Bank of the U.S. (Eximbank) provides a full range of services in Colombia. Eximbank offers a range of loan, insurance and loan guarantee programs to facilitate exports of U.S. goods and services to Colombian governmental and private companies. For additional information on Eximbank programs, please contact: www.exim.gov

OPIC: OPIC is a U.S. government agency that supports, finances and insures projects that have a positive effect on U.S. employment, are financially sound and promise benefits to the social and economic development of the host country. OPIC assistance is available for new investments, privatization, and for expansion and modernization of existing plants sponsored by U.S. investors. Please access OPIC programs at: www.opic.gov

Multilateral Funding Agencies and Financial Markets: Multilateral agencies such as the World Bank through IFC, the Inter American Development Bank/IDB, the Andean Development Corporation/ADC, the Export-Import Bank of Japan, the Agency for International Development of the U.S./USAID (and also those of Japan and Canada) are active in providing financing for projects in Latin America and the Caribbean.

The Andean Development Corporation/ADC (Corporacion Andina de Fomento) is the only organization to provide major direct financing for Greenfield projects in Colombia.

The ADC has provided direct financing to the private sector for the development of Greenfield projects in various infrastructure sectors.

IADC: The Inter-American Development Corporation/IADC provides development capital to export oriented companies in the agricultural business through Corfisura Fondo de Desarrollo de Empresas (Colombia's first development capital fund), manufacturing, mining, and emerging technology sectors.

World Bank: In 1994, Colombia approved through Law 149, its adherence to the Multilateral Investment Guarantee Agency (MIGA), created in 1985 by the World Bank, to stimulate the flow of resources for productive ends between member countries and in particular toward developing countries.

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Export-Import Bank of the United States: http://www.exim.gov

Country Limitation Schedule: http://www.exim.gov/tools/country/country_limits.html

OPIC: http://www.opic.gov

Trade and Development Agency: http://www.tda.gov/

SBA's Office of International Trade: http://www.sba.gov/oit/

USDA Commodity Credit Corporation: http://www.fsa.usda.gov/ccc/default.htm

U.S. Agency for International Development: http://www.usaid.gov

(Andean Development Corp. (CAF) : www.caf.com & www.comunidadandina.org
ANDI (National Industries Association): www.andi.com.co
ANIF (Financial Entities Association): www.anif.org
Banco de la Republica (Central Bank): www.banrep.gov.co
Banking Association: www.asobancaria.com
Banking Superintendent: www.superbancaria.gov.co
Bogotá Chamber of Commerce: www.ccb.org.co
Coinvertir (Foreign Investment Promoter): www.coinvertir.org
Colombian Customs and Income Tax Offices: www.dian.gov.co
Colombian Government : www.gobiernoenlinea.gov.co
CREG (Energy and Gas Regulatory Commission): www.creg.gov.co
DANE (Statistics Bureau) : www.dane.gov.co
EXIMBANK : www.exim.gov
FASECOLDA (Insurers Association) : www.fasecolda.com
FENALCO (Merchants Association): www.fenalco.com.co
Inter American Development Bank: www.iadb.org
National Planning Department: www.dnp.gov.co
OPIC: www.opic.gov
Presidencia de la Republica and/or Palacio de Nariño (President's Office):
www.sne.gov.co and www.presidencia.gov.co

State Comptroller's: www.contraloriagen.gov.co
State Contracting Information System/SICE: www.sice.gov.co
Superintendent of Corporations: www.supersociedades.gov.co
Superintendent of Industry and Commerce: www.sic.gov.co
World Bank: www.worldbank.org
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Chapter 8: Business Travel

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There is a very vigorous international business community in Colombia, with hundreds of well-established companies committed to a long-term presence. Most companies know their risk profiles and take appropriate measures. It is expensive to do business in Colombia, but is a cost of doing business. Colombia, in terms of natural and human resources, offers a strategic location, a well-developed industrial and infrastructure capacity, and a modern business environment.

First time business visitors are usually pleasantly surprised at the high level of development and sophistication of the Colombian private sector. Most business visitors never leave the modern urban cities. Those who do (to oilfields and mines) do so under controlled conditions. As with anything in business, the key is be aware and prepared.

Colombians tend to be friendly, straightforward and direct in their business dealings. They are serious, hardworking, and share many of the same work habits and ethics of business people in the United States. This is one of the many reasons that, despite Colombia's political and social problems, knowledgeable U.S. business people have for many years come to Colombia to do business.

Given the proximity of the two countries and the long-term presence of U.S. firms in the market, Colombians are used to doing business with the U.S. Many of them have traveled or studied in the United States and have family members or friends there. Colombian executives and technicians, as well as government officials, travel frequently to the U.S. for meetings, conferences, trade fairs, training and tourism.

Working breakfasts and lunches at hotels and private clubs have become common practice in most Colombian cities. Business attire is the norm.   Dinner meetings tend to be less formal. Business cocktails and official receptions are common events and are used as opportunities to make contacts and discuss outstanding business. Colombian trade associations, government entities, and private firms are hosting an increasing number of national and regional conventions, conferences, and seminars in the country.

These events present excellent opportunities for meeting Colombian business people and key government officials, as well as for assessing market potential.

Travel Advisory Return to top

There is currently a State Department travel warning in effect for U.S. citizens planning travel to Colombia . For the latest security information, U.S. citizens traveling abroad should regularly monitor the Department's Internet site at http://travel.state.gov where the current Worldwide Caution Public Announcement, Travel Warnings and Public Announcements can be found.

The travel warning is due to the violence that continues to affect all parts of the country, and the fact that U.S. citizens have been victims of kidnappings and threats. For more information on a particular business travel plan, companies are urged to contact the Commercial Service, American Embassy, Bogota for customized advice. (see Section VII "Investment Climate - Political Violence" for additional background information).

Most business persons who visit Colombia travel primarily to the major cities and commercial centers of Bogota, Cali, Medellín, Barranquilla and Cartagena, where caution should be taken against common large-city crimes such as pick pocketing, jewelry and purse-snatching, and currency scams. Selecting a good hotel, keeping valuables in a hotel safe, using authorized taxis and hired car services, and using common sense in avoiding certain areas of town will help to reduce the risk of falling victim to these crimes. At airports, care should be taken with hand luggage and travel documents.

Travel between cities should be by air in order to avoid rural areas controlled by terrorists groups and common criminals. Road travel outside of the major cities is not recommended.

Those who absolutely must travel to facilities in outlying areas (most commonly oil and mining professionals and technicians) are advised to adhere strictly to the security regulations and guidelines established by their companies.

For further information concerning travel to Colombia, U.S. travelers should consult the Department of State's latest Travel Warning and the Consular Information Sheet for Colombia. In addition to information on the Internet, recorded information can be obtained by calling the Department of State in Washington, D.C., at (202) 647-5225 from their touch-tone telephone, or receive information by automated telfax by dialing (202) 647-3000 from their fax machine.

The Overseas Citizens Services call center at 1-888-407-4747 can answer general inquiries on safety and security overseas. This number is available from 8:00 a.m. to 8:00 p.m. Eastern Time, Monday through Friday (except U.S. federal holidays). Callers who are unable to use toll-free numbers, such as those calling from overseas, may obtain information and assistance during these hours by calling 1-317-472-2328.

U.S. citizens living in or visiting Colombia are encouraged to register and obtain updated information on travel and security in Colombia either at the Consular Section of the U.S.

Embassy in Bogota or via the Embassy's website (see website address below). The Consular Section is open for American Citizens Services, including registration, from 8:30 a.m. to 12:00 noon, Monday through Thursday, excluding U.S. and Colombian holidays. The U.S. Embassy is located at Avenida El Dorado and Carrera 50; telephone (011-57-1) 315-0811 during business hours (8:30 a.m. to 5:00 p.m.), or 315-2109/2110 for emergencies during non-business hours; fax (011-57-1) 315-2196/2197; Internet website - http://bogota.usembassy.gov/. The Consular Agency in Barranquilla, which provides some limited consular services, is located at Calle 77B, No. 57-141, Piso 5, Centro Empresarial Las Americas, Barranquilla, Atlantico, Colombia; telephone (011-57-5) 353-2001; fax (011-57-5) 353-5216; e-mail: conagent@metrotel.net.co.

Visa Requirements

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U.S. Citizens (who are not also Colombian citizens) traveling to Colombia are required to carry a valid U.S. passport to enter and depart Colombia and a return/onward ticket. U.S. citizens do not need a visa for a tourist stay of 60 days or less. Stiff fines are imposed if passports are not stamped on arrival and if stays exceeding 60 days are not authorized by the Colombian Immigration Agency (Departamento Administrativo de Seguridad, Jefatura de Extranjeria, DAS Extranjeria).

The Colombian Government recently modified regulations regarding Business Visas in an effort to encourage foreign investment and attract tourism to Colombia. As of February 1, 2005, visas may be extended for periods of six months and up to five years, depending on the category. Following are some examples:

Business Visas: These visas may be granted for a period of up to four years, with multiple entries, and for a maximum stay of up to six month per entry. Business visas are issued to foreigners who prove their status as merchants, industrialists, executives or business representatives.
Temporary Managerial Visas: Valid for multiple entries during a five year period. Holders of these visas may stay in the country for a period of up to one year per entry. It expires if the foreigner leaves the country for more than 180 days.
Special Temporary Visas: Valid for multiple entries during one year. It expires if the foreigner leaves the country for more than 180 Days.

For more information on other types of Business Visas, or information concerning entry and customs requirements to Colombia, immigration regulations, and other related matters please enter the web site of the Colombian Ministry for Foreign Affairs (www.minrelext.gov.co). Information on these subjects is also available at the Colombian Embassy located at 2118 Leroy Place NW, Washington DC, 20008; Tel: (202) 387-8338 (www.colombiaemb.org). Colombia has consular offices in the following U.S. cities: Atlanta, Boston, Chicago, Houston, Miami, Los Angeles, New York City, San Francisco, and San Juan (Puerto Rico).

U.S. citizens whose passports are lost or stolen in Colombia must obtain a new passport and present it, together with a police report of the loss or theft, to the main immigration office in Bogota to obtain permission to depart. An exit tax must be paid at the airport when departing Colombia.

According to Colombian law, any person born in Colombia must use their Colombian passport to enter and leave Colombia, even if also a citizen of another country. Therefore, Colombian-American citizens, should be prepared to carry a Colombian passport as well as a U.S. passport while visiting Colombia.

U.S. NON-INMIGRANT VISA REQUIREMENTS FOR COLOMBIANS

All Colombians traveling to the U.S. need a visa. U.S. companies that require travel of foreign businesspersons to the United States should allow sufficient time for visa issuance. Visa applicants should go to the following link: http://bogota.usembassy.gov or in the U.S., call (1-877) 804-5401, 8:00AM to 8:00PM EST. A credit card access fee for the U.S.-based number will be charged.

U.S. Companies that require travel of foreign businesspersons to the United States should be advised that security options are handled via an interagency process. Visa applicants should go to the following links.

State Department Visa Website: http://travel.state.gov/visa/index.html

United States Visas.gov: http://www.unitedstatesvisas.gov/

Colombia embassy website: http://bogota.usembassy.gov

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Colombia has a reliable domestic and international telecommunications system. Cellular phones are widely used in Colombia with automatic roaming within the country; there are also roaming agreements with U.S. carriers and most other Latin American countries. Three private companies, Bellsouth, Comcel and Colombia Movil, currently provide mobile services. Internet, tele-conferencing and video-conferencing facilities are also available.

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Airports: Colombian air transportation is well developed, with international airports in Bogota, Barranquilla, Cartagena, Cali, Cucuta, Leticia, Medellin, and San Andres Island providing regular flights to major cities abroad. Currently, there are four major airlines that provide direct daily flights between Colombia and the U.S. Frequent domestic flights connect principal cities within Colombia. Business travelers should be aware that prior flight reservations within Colombia (even though pre-paid) are not always honored, and flights may be overbooked to popular destinations such as Cartagena. Thus, a final confirmation is advisable 24-hours before departure.

Taxis: Taxi service is available at all major hotels. Given traffic conditions and security concerns, it is recommended that business travelers contract hourly taxi service or hired cars with drivers. Ask your reservation agent to make arrangements with your hotel for your transportation. The current rate is about $5.50 per hour. If normal yellow city taxis must be utilized, ensure the hotel/restaurant calls a “radio taxi.” Do not hail taxis in the street and never share a cab with an unknown person (including the driver's "brother, son, cousin, etc."). Taxis fares increase 30 percent after dark.

Language Return to top

Spanish is the official language and spoken throughout the country. It is advisable to have some knowledge of Spanish or to hire the services of a qualified interpreter, although many senior executives and government officials speak English.

Health Return to top

Medical care is adequate in major cities, but quality varies elsewhere. In Bogota in particular, travelers can find very qualified general practitioners and specialists. Doctors and hospitals often expect immediate cash payment for health services, although many hospitals in principal cities accept major U.S. credit cards. U.S. medical insurance is not always valid outside the United States. Visitors with a particular medical problem may therefore wish to consider supplemental medical insurance with specific overseas coverage, including provision for medical evacuation or other emergencies.

Yellow Fever Vaccine: The Colombian Ministry of Environment is requiring visitors to the country's national parks (Tayrona, Salamanca, Cienaga Grande, and Flamencos) along the Atlantic coast to show proof of yellow fever vaccination at least 10 days before travel. Last year through mid-March 2004, cases of yellow fever were reported from the departments of Guajira, Magdalena, Cesar, and Meta (middle valley of the Magdalena River; eastern and western foothills of the Cordillera Oriental from the border with Ecuador to that with Venezuela; Urabá, the foothills of the Sierra Nevada; the eastern plains - Orinoquia; and Amazonia). Colombia recommends vaccination for all travelers nine months of age or older traveling within yellow fever endemic zone (arriving from any country). Risk in all rural areas at altitudes less than 800 meters (2,624 ft). There is no yellow fever risk in Bogotá and vicinity.

Local Time, Business Hours, and Holidays Return to top

Colombian time is the same as U.S. Eastern Standard time, without daylight-saving adjustments, e.g. Washington in winter, Chicago time in summer.

The workweek is Monday - Friday. Normal working hours are either 8 a.m. - lunch (flexible between 12 noon and 2 p.m.), closing at 5 p.m.; or 7:30 a.m. - 4:30 or 5:30 p.m.

with an hour for lunch. Most commercial offices follow the first system and most manufacturing operations the second.

Shopping: Most stores are open between 9:00 a.m. and 7:00 or 8:00 p.m. on weekdays, and between 9:00 a.m. and 8:00 p.m. or 9:00 p.m. on Saturdays. Some food stores and restaurants (but very few other establishments) are open on Sundays and holidays. It is sometimes possible to negotiate a discount at some stores when paying in cash.

Prior to planning business travel, it is advisable to consult the schedule of Colombian holidays. It is strongly recommended that business trips be avoided during Holy Week (the week before Easter) and the Christmas holiday season (December 17 to January 11). Visitors may also find it difficult to make business appointments during “puentes” (Fridays or Mondays which “bridge” the weekends with official holidays falling on Thursdays or Tuesdays.)

Colombia’s official holiday calendar for 2005, is as follows:

January 1	Saturday (New Year’s Day)
January 10	Monday (Epiphany)
March 21	Monday (Saint Joseph)
March 24	Thursday (Holy Thursday)
March25	Friday (Good Friday)
May 1	Sunday (Labor Day)
May 9	Monday (Ascension Day)
May 30	Monday (Corpus Christi)
June 6	Monday (Feast of The Sacred Heart)
July 4	Monday (Feast of Saint Peter and Saint Paul)
July 20	Wednesday (Independence Day)
August 7	Sunday (Battle of Boyaca)
August 15	Monday (Assumption Day)
October 17	Monday (Columbus Day)
November 7	Monday (All Saints' Day)
November 14	Monday (Independence of Cartagena)
December 8	Thursday (Feast of the Immaculate Conception)
December 25	Sunday (Christmas Day)

Regional Holidays: February 4 through February 9, (Carnival), Barranquilla. December 24 through December 31, 2005 (Folklore Festival), Cali: Offices open only from 8:00 am - 12:00 noon.

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Non-fungible merchandise that can be thoroughly identified by marks, serial numbers, or other symbols can be temporarily brought into Colombian territory for specific purposes. The merchandise must be re-exported immediately after the pre-authorized period, without being subject to any alteration or modification, except for the normal deterioration caused by use. There are two categories for temporary imports: short and long term. The DIAN decides which of the two systems has to be applied to a specific case:

Short Term: This allows the importation of merchandise for a specific purpose during a period of time that should not exceed six months. An extension can be requested from one to three-month extension. The approval must be obtained before expiration of the initial authorization. Short-term imports are not subject to import duties, but a guarantee equivalent to 10 percent of the corresponding import duties must be presented to obtain approval.

Long-Term: Colombian Customs regulations also allow for long-term temporary importation of equipment for a period of up to five years. Under this regulation, the Government allows importation of machinery and equipment as well as related accessories and spare parts if they are included in the same one-time-only shipment. This system is applied to equipment to be used in public works projects and other activities that are important for national economic and social development. Long-term temporary imports are also approved for machinery and equipment brought into the country under leasing contracts within a term of six months to five years. Long-term customs declarations for temporary imports must include the U.S. dollar calculation of duties and taxes in accordance with the tariff schedule effective on the submission date. The total amount may be divided into equal quotas to be paid semi-annually, during the temporary import period. The importer may be requested to establish a guarantee equivalent to 100 percent of the import duties. Import duties are non-refundable.

Demonstration Equipment: The international carnet system for temporary imports of demonstration equipment (to be used in promotional campaigns or trade shows) is not in effect in Colombia. The DIAN has implemented an alternative system. Visitors bringing in equipment for demonstration purposes are requested to fill out a special form provided by the DIAN upon their arrival at an international airport. The equipment may stay in the country up to 90 days. There is no deposit requirement.

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Information on yellow fever, see http://www.cdc.gov/travel/diseases/yellowfever.htm.
Banking Association: www.asobancaria.com
Colombian Customs and Income Tax Offices: www.dian.gov.co

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Chapter 9: Contacts, Market Research, and Trade Events

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(Andean Development Corp. (CAF) : www.caf.com & www.comunidadandina.org
ANDI (National Industries Association): www.andi.com.co
ANIF (Financial Entities Association): www.anif.org
Association Of Flower Exporters: www.colombianflowers.com
Banco de la Republica (Central Bank): www.banrep.gov.co
Banking Association: www.asobancaria.com
Banking Superintendent: www.superbancaria.gov.co
Bivac De Colombia S.A.: www.bureauveritas.com.co
Bogotá Chamber of Commerce: www.ccb.org.co
Cambio newspaper: www.cambio.com.co
Coinvertir (Foreign Investment Promoter): www.coinvertir.org
Colombian Agricultural Institute-Ica: www.ica.gov.co
Colombian-American Chamber Of Commerce: www.amchamcolombia.com.co
Colombian Association Of Systems Engineers: www.acis.org.co
Colombian Coffee Growers Federation: www.cafedecolombia.com
Colombian Construction Chamber: www.camacol.org.co
Colombian Customs and Income Tax Offices: www.dian.gov.co
Colombian Engineers Society: www.sci.org.co
Colombian Export Promotion Bureau: www.proexport.com.co
Colombian Government : www.gobiernoenlinea.gov.co
Colombian Grain Growers Federation: www.fenalce.org.co
Colombian Petroleum Association: www.acp.com
Colombian Tele-Informatic Chamber: www.ccit.org.co
CREG (Energy and Gas Regulatory Commission): www.creg.gov.co
DANE (Statistics Bureau) : www.dane.gov.co
Dinero newspaper: www.dinero.com
El Espectador newspaper: www.elespectador.com
El Tiempo newspaper: www.eltiempo.com.co
EXIMBANK : www.exim.gov
FENALCO (Merchants Association): www.fenalco.com.co
Industry And Commerce Superintendency: www.sic.gov.co
Inter American Development Bank: www.iadb.org
Intertek Testing Services (Customs validation): www.intertek.com
La Nota Economica economic magazine: www.lanota.co
La Republica newspaper: www.larepublica.com.co
Medellin Chamber Of Commerce/Trade Point: www.camaramed.org.co
Ministry Of Agriculture And Rural Development: www.minagricultura.gov.co
Ministry Of Communications: www.mincomunicaciones.gov.co
Ministry Of The Environment, Housing And Territorial Development:
www.minambiente.gov.co

Ministry Of Mines And Energy: www.minminas.gov.co
Ministry Of Trade, Industry And Tourism: www.mincomex.gov.co
National Association Of Exporters: www.analdex.org
National Cattlemen's Federation: www.fedegan.org.co
National Planning Department: www.dnp.gov.co
OPIC: www.opic.gov
Plastic Industries Association: www.acoplasticos.org
Portafolio newspaper: www.portafolio.com.co
Proexport (Export & Foreign Investment Promotion Bureau): www.proexport.com.co
Presidencia de la Republica and/or Palacio de Nariño (President's Office): www.sne.gov.co and www.presidencia.gov.co
Semana magazine: www.semana.com
Small Business Association-Acopi: www.acopi.org.co
State Comptroller's: www.contraloriagen.gov.co
State Contracting Information System/SICE: www.sice.gov.co
Superintendent of Corporations: www.supersociedades.gov.co
Superintendent of Industry and Commerce: www.sic.gov.co
Superintendent of Instruments/Stock: www.supervalores.gov.co
World Bank: www.worldbank.org

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To view market research reports produced by the U.S. Commercial Service please go to the following website: http://www.export.gov/marketresearch.html and click on Country and Industry Market Reports.

Please note that these reports are only available to U.S. citizens and U.S. companies. Registration to the site is required, but free of charge.

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Please click on the link below for information on upcoming trade events.

http://www.export.gov/tradeevents.html

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Chapter 10: Guide to Our Services

The U.S. Commercial Service offers customized solutions to help your business enter and succeed in markets worldwide. Our global network of trade specialists will work one-on-one with you through every step of the exporting process, helping you to:

- Target the best markets with our world-class research
- Promote your products and services to qualified buyers
- Meet the best distributors and agents for your products and services
- Overcome potential challenges or trade barriers

For more information on the services the U.S. Commercial Service offers U.S. businesses, please click on the link below.

(Insert link to Products and Services section of local buyusa.gov website here.)

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U.S. exporters seeking general export information/assistance or country-specific commercial information should consult with their nearest **Export Assistance Center** or the **U.S. Department of Commerce's Trade Information Center** at **(800) USA-TRADE**, or go to the following website: http://www.export.gov